

THE YEAR IN REVIEW

Rate Cases

- Completed 27 fixed utility rate cases, with rate increase requests totaling \$20,930,293. Allowed \$11,531,369 or approximately 55 percent.

Audits

- Conducted 202 audits, including 45 regular audits and 157 special project audits. These included 36 section 1307 audits with a findings value of \$11,625,573 and four financial audits resulting in rate base reductions of \$573,407.
- Completed work on three management audits and two management efficiency investigations, with potential net cost savings of approximately \$4.8 million and one-time benefits of \$500,000 respectively.

Consumer Services

- Received, investigated and resolved 75,058 consumer complaints and responded to 77,594 inquiries.

Transportation and Safety

- Conducted 10,661 truck inspections, 609 non-medallion taxi inspections, 929 bus inspections and 4,790 Philadelphia medallion taxi inspections.

Secretary's Bureau

- Served 10,507 documents, comprised of 1,471 Certificates of Public Convenience; 31 Securities Certificates; 355 Complaint Orders; 311 Rate Investigation Orders; 335 Transportation Orders; 107 Petition Orders; 752 Act 294 Orders; 7 Emergency Orders; 147 Miscellaneous Orders; 631 Fixed Utility Application Orders; 148 Investigation Orders; 20 Proposed Rulemaking Orders; 73 Affiliated Interest Agreements; 4,504 Secretarial Letters, 973 ALJ Decisions, and 642 Medallion documents.
- Processed 1,723 Reports and Orders for consideration at 25 Public Meetings.
- Received 6,656 new cases comprised of 1,450 Applications; 3,455 Formal Complaints and 1,751 Miscellaneous.
- Docketed 70,246 filings.
- Prepared 13,922 files to be microfilmed.

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**LETTER TO THE GOVERNOR AND
MEMBERS OF THE GENERAL ASSEMBLY**

The Honorable Thomas J. Ridge
Governor of Pennsylvania
The Honorable Mark S. Schweiker
Lt. Governor
Members of the General Assembly

I am honored to provide the 1998–99 Public Utility Commission Annual Report. This fiscal year marked dramatic progress in Pennsylvania. The Commission successfully implemented the Electric Choice Program, began the restructuring of the natural gas industry consistent with the provisions of the recently enacted Natural Gas Choice and Competition Act, and decisively moved to open the local telephone markets to competition. As a result, the Commonwealth is viewed as a national leader in customer choice and utility deregulation efforts. Appropriately, we have titled this year’s report, “Greater Choices for Changing Times.”

Since the inception of the Electric Choice Program, approximately 500,000 customers have selected an alternative electric supplier. More than 100 electric generation suppliers have been granted licenses to conduct business in the state. Our surveys indicate a majority of Pennsylvanians know about the program and how to participate. These outstanding results give us confidence that electric customer choice will continue to flourish.

Consumers who heat with natural gas will soon be able to follow in the footsteps of Electric Choice Program participants, picking the company that supplies their natural gas. Several natural gas companies already have successful pilot programs in place and will expand them consistent with the provisions of the Natural Gas Choice and Competition Act. Other natural gas companies will implement customer choice programs within the next year. So far, nearly 40 marketers and brokers have been approved for licenses to participate in this new competitive market.

Also this year, the Commission aggressively moved to jump-start local telephone competition and to fulfill the promise of network modernization under Chapter 30 of the Public Utility Code, and the Telecommunications Act of 1996. We have laid the groundwork for how local telephone companies will open their systems to greater competition. We hope to see both an increase in the number of local phone companies consumers can choose from and greater investment in high-tech data and voice networks.

Our traditional role is to ensure that all Pennsylvanians have access to safe, reliable and efficient energy services. Our changing role, however, is to empower customers so they may take advantage of the benefits of competition and exercise choice in changing times. The following report highlights our accomplishments toward meeting these responsibilities.

Respectfully,



John M. Quain
Chairman
Pennsylvania Public Utility Commission



From left: Commissioner David Rolka*, Vice Chairman Robert Bloom, Commissioner Nora Mead Brownell, Chairman John Quain, and Commissioner Aaron Wilson Jr.

*Term expired March 31, 1999.

Service for Consumers and Utilities

Utility service today is viewed as a necessity for residential consumers and businesses alike. Whether it's electric, gas, water or telephone, service should be available upon request at a reasonable cost.

The Pennsylvania Public Utility Commission works to ensure that all consumer groups receive safe, adequate service at a reasonable cost. However, the Commission does not function for the benefit of any one group, neither investor, consumer, environmentalist, nor utility. The interest of all groups must be balanced.

Utilities are entitled to fair rates when seeking increases. We believe it is in the long-term public interest to permit a strong financial climate for investment in public utilities. By allowing a fair return to investors for the use of their money, companies can attract capital to provide and improve services for all consumers. Yet, the rates must not be unfair to the utility customers.

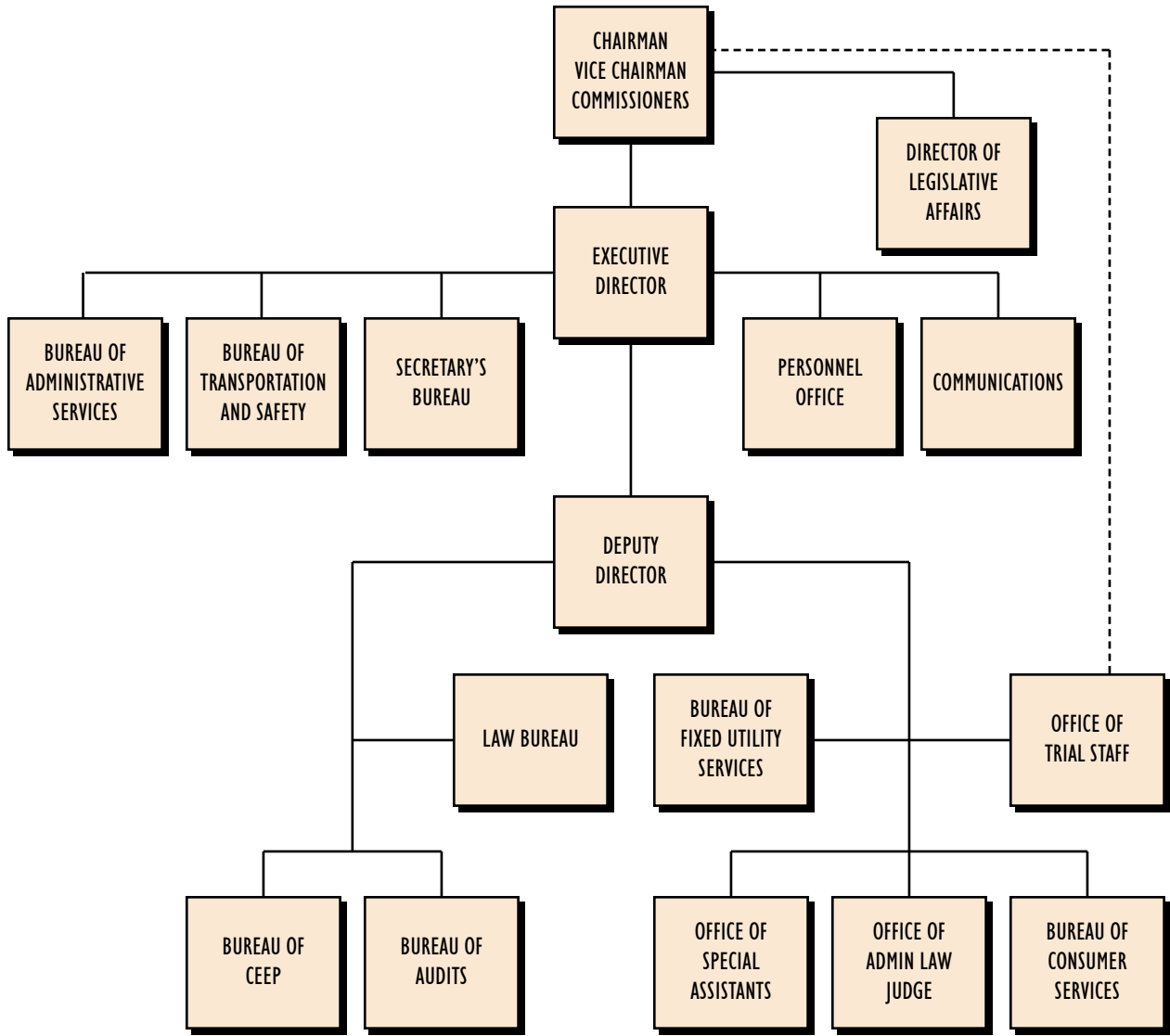
In our rate-case deliberations and in our decisions, we strive to be prudent, fair and farsighted. This fine line and balance is the objectivity that we seek.

Broad Powers

The Commission exercises broad powers in meeting its regulatory obligations. Public utilities must receive Commission approval to operate, extend or abandon service. When the PUC allows utilities to provide service within specified geographical boundaries, the companies become geographical monopolies. In return for their guaranteed service rights, utilities are subject to regulation to assure that rates are fair and service adequate for customers who cannot choose a different company.

The law prescribes specific guidelines as to how rates must be set. The Commission must determine a utility's allowable expense and revenue requirements, that is, how much money the company needs to operate properly. It must also decide how charges for residential,

ORGANIZATIONAL CHART



commercial, industrial and other types of customers should be structured to collect the allowable revenue. In any rate case, the public has an opportunity to provide comments to the Commission. Decisions in both rate and service area cases are reached at public meetings in conformity with the state's Sunshine Law. Commission decisions may be appealed to the state Commonwealth Court.

Today's business environment requires that utilities consider all their options. With certain exceptions, utilities are required to obtain Commission approval if they are merging with another utility or are being sold to another utility. Affiliated interest agreements between companies are also carefully evaluated by the PUC.

In 1999, the Commission restructured the markets for both electricity generation and natural gas supply. Customers may now choose from a number of suppliers that generate their electricity or supply their natural gas. The Commission believes that competition among suppliers will lower prices, improve customer services and spur the development of new products. However, customers will still receive transmission and distribution services from their local utilities. The local utilities will also continue to maintain the electric lines or natural gas pipelines to ensure that safe, reliable utility service is delivered to customers.

Safety and Reliability

In maintaining close scrutiny over utility service and facilities, the Commission is particularly concerned with safety and reliability. Utilities must report accidents to the PUC, which regularly inspects facilities to determine that they are safe and adequate.

The PUC regulates approximately 6,600 public utility entities furnishing the following in-state services for compensation: electricity, natural gas, telephone, water, sewage collection and disposal, steam heat, transportation of passengers and property by train, bus, truck, taxi-

cab, aircraft, boat, and pipeline transmission of gas and oil. Municipal utility service is exempt from PUC regulation, with the exception of that part furnished beyond a municipality's corporate boundaries. Rural electric cooperatives are also exempt from PUC regulation.

In the interest of train and motor vehicle safety, the PUC examines the structural strength of railroad bridges and underpasses. In addition to a team of railroad safety inspectors, it has a staff of motor carrier investigators who check on safety, cargo and certified routes of truck, taxi and bus operators.

Organization

The Commission is comprised of five full-time members appointed by the Governor for staggered five-year terms. The appointments must be approved by a majority of the members of the Senate.

The Commission has headquarters and a regional office in Harrisburg, and other regional offices in Altoona, Philadelphia, Pittsburgh and Scranton. These offices serve as administrative coordinating points for enforcement officers. The Philadelphia and Pittsburgh offices also have employees from the PUC's Bureau of Consumer Services and Office of Administrative Law Judge.

The Commission is funded by assessment of the regulated public utilities. Subject to budget approval, the PUC may assess utilities up to three-tenths of one percent of gross intrastate revenue to cover the cost of regulation. All assessments are paid into the General Fund of the State Treasury through the Department of Revenue for use solely by the Commission. The budget for fiscal year 1998–1999 totaled \$40.338 million, including \$955,000 in federal funds.

The Public Utility Commission was created by the Pennsylvania Legislative Act of March 31, 1937 (and the Public Utility Law of May 28, 1937), which abolished the Public Service Commission.

AN OVERVIEW OF THE RATEMAKING PROCESS

Regulation

In order to provide the most economical, efficient and practical service to a community, the state grants a utility the sole right to provide its service within a specified geographic area. Experience and past history have determined that the construction of facilities by more than one utility company in the same location would be extremely costly and disruptive to community life and property. In exchange for the geographic monopoly, the utility accepts regulation by state government to assure that rates are fair and service safe and adequate for customers who cannot choose a different company.

Commission's Role

The PUC is responsible for ensuring safe, adequate service for consumers at fair and reasonable rates. The Commission is required to make decisions that allow utilities to meet all prudent expenses including the cost of borrowing money for expansion to provide service. The PUC does not exist solely for the benefit of any one group, but must balance the concerns of all the parties.

The Commission's Office of Trial Staff, which has experts in economics, engineering, law and financial accounting, represents the public at large by reviewing the company records and rate requests and presenting its view on what is in the public interest.

Utility's Role

Regulated utilities must meet all reasonable requests for service by customers within their designated territories. To provide adequate service, it is recognized that the company must obtain a return on its investment sufficient to attract investors. If a company must expand its capacity in order to provide increased or improved service, it must borrow money, persuade investors to make money available, or seek a rate increase from the PUC.

Ratepayer's Role

Ratepayers must pay for the service they use, which includes a share of the cost of utility company expenses, such as salaries, equipment, maintenance and taxes. While the ratemaking process is complex, consumers have the right to be informed about the process, to receive an explanation of their utility bills, to have their complaints resolved in a prompt and fair manner and to

receive continuous utility service if payment responsibilities are met.

Filing for a Rate Increase

When a regulated utility believes it should have a rate increase due to increased expenses, it must file a request with the PUC. The filing must show the new rate the utility is proposing, why the rate is needed and when the utility wants the rate to go into effect.

Consumer Information

Utilities seeking rate changes must notify customers through their bills. Notices must include the amount of the proposed rate increase, the proposed effective date of increase and how much more the ratepayer can expect to pay.

While not a part of the ratemaking process, public input hearings may be held in a company's service area so citizens can ask questions before PUC staff and company representatives.

How Are Rates Set?

Setting rates essentially is a two-step process: (1) determining what it costs to provide the service for customers and (2) determining the appropriate rate structure—the fair share to be charged to commercial, industrial and residential customers. A public utility under efficient and economical management is permitted sufficient revenue to cover proper operating expenses and provide a return on investment adequate to compensate existing investors and attract new capital. The ratemaking process should provide the lowest possible rate for consumers and still maintain the financial stability of utilities.

How Long Does It Take?

It is Commission policy to decide within 60 days of the utility's request for a rate increase whether to grant the request. If no action is taken within 60 days, the increase is automatically postponed, or suspended. The Commission then has seven months to decide whether any of the requested increase is justified, but it is expected to make a decision as soon as all the facts have been considered. The long time period is necessary because the Commission must hold hearings, consumers must have a chance to voice their opinions and give testimony,

briefs must be submitted and reviewed, a recommendation must be made and finally, the matter must be brought before the Commission for a vote.

Hearings and Recommendations

Pending cases are assigned to Administrative Law Judges (ALJ), who are lawyers with experience in administrative law. The ALJ presides at formal hearings, gathers the facts and submits to the Commission a written report recommending approval, disapproval or modification of the original rate request.

At a formal hearing, the company, the PUC's Office of Trial Staff and other parties present their cases and are subject to cross-examination. The ALJ presides over the hearing, which is open to the public and is conducted much as a formal court proceeding. Customers may become participants in the case by formally applying in

writing. Ratepayers may speak for themselves, or lawyers may represent individual ratepayers or groups of ratepayers.

Final Order

The Commissioners must make the final decision, authorizing rates that (1) permit that amount of revenue which will allow the company to meet its expenses, pay interest on its debt and provide a reasonable return to stockholders so it will continue to attract investment, and (2) assign the proper rate for each category of service—residential, commercial and industrial—reflecting as closely as possible the cost of providing the service. The order has the weight of law unless the Commission changes it following a petition for reconsideration, or it is successfully challenged in court.

EXECUTIVE DIRECTOR'S OFFICE

Barbara Bruin **Executive Director**

The Office of the Executive Director coordinates the activities of the bureaus, except the prosecutorial functions of the Office of Trial Staff and the adjudicatory functions of the Office of Administrative Law Judge. It is the management link between the Commissioners and bureau and office directors. In addition, the Executive Director has administrative control and supervision over all Commission offices and bureaus. The Office is responsible for the development and preparation of the budget, for fiscal controls, for the assessments process, for organizational development and planning activities (including emergency plans and operations) and the management of Commission daily activities. Reporting directly to the Executive Director's Office are the Bureau of Administrative Services, the Communications Office and the Personnel Office.

Bureau of Administrative Services

The Bureau of Administrative Services was created in August 1999 to provide advisory support to the Executive Director for administrative matters in the operation of the Commission. The Bureau is comprised of the technical administrative services functions of fiscal, office services, budget, assessments, medallion, contracts, travel and management information systems.

The Bureau provides assistance to the Executive Director in implementing policies in administrative areas to meet the needs and requirements of the agency.

The Bureau prepares supporting documents for the Commission's budget, implements fiscal procedures,

manages the assessment program and the fiscal portion of the medallion program, and manages contracts and travel programs for the Commission.

The Bureau plans and forecasts data processing resource requirements, provides management information systems support programs for the agency, and provides office services functions of mail distribution, messenger service, space facilities allocation, stock room, inventory control, printing and duplication and automobile services.

The Bureau evaluates existing administrative services programs, procedures and systems and recommends procedure and policy changes to the Executive Director.

Communications Office

The Communications Office is comprised of a Media Relations Section and a Community Relations Section.

Media Relations distributes information and decisions of the Commission to the media, the public, utility customers, and state, local and federal government officials and agencies. The Press Secretary serves as the official spokesperson for the PUC.

The Community Relations Section develops educational materials for the public. It also oversees utility consumer education programs to ensure that they adhere to the Commission's plain language guidelines. Staff serves on the Council on Electricity Choice, which oversees the Electric Choice educational program. The Section maintains a network with community leaders, and monitor's utilities' efforts to promote diversity in employment and in contracting for goods and services.

BUDGET SUMMARY

A. Executive Budget

GENERAL GOVERNMENT OPERATIONS	GENERAL FUND ACTUAL 1997-1998	REVENUE ALLOCATED 1998-1999
State Funds		
Personnel	\$ 30,954,000	\$ 31,607,000
Operating	6,535,000	7,376,000
Fixed Assets	405,000	400,000
TOTAL STATE FUNDS	\$ 37,894,000	\$ 39,383,000
Federal Funds		
Personnel	\$ 763,000	\$ 910,000
Operating	84,000	45,000
Fixed Assets	93,000	- 0 -
TOTAL FEDERAL FUNDS	\$ 940,000	\$ 955,000
COMMISSION TOTAL BUDGET	\$ 38,834,000	\$ 40,338,000

B. Philadelphia Taxicab Medallion Budget

	1997-1998	1998-1999
State Funds		
Personnel	\$ 1,084,000	\$ 1,062,000
Operating	252,000	284,000
Fixed Assets	52,000	43,000
TOTAL	\$ 1,388,000	\$ 1,389,000

C. Revenue

TYPE	1997-1998 RECEIPTS	1998-1999 RECEIPTS
Application Fees	\$ 343,508	\$ 335,184
Testing Laboratory Fees	20,065	3,035
Fines	294,170	359,083
Gas Pipeline Safety	411,344	154,242
Motor Carrier (MCSAP)	852,574	556,105
Philadelphia Taxicab Medallion Fees	808,712	1,095,580
Philadelphia Taxicab Medallion Transfers	290,325	216,825
Philadelphia Medallion Driver Cert. Fees	33,687	42,310
Philadelphia Medallion Fines	56,675	63,025
Philadelphia Driver Cert. Fines	27,625	31,676
Philadelphia Taxicab Copy Fees	1,409	2,594
TOTAL	\$ 3,140,094	\$ 2,859,659

BUDGET SUMMARY

Fiscal Operations and Assessments

The Fiscal Office transmitted **\$32,246,894** in assessment billings for the 1998–99 fiscal year and for previous year billings:

1st Quarter Collections	\$	23,590,910.00
2nd Quarter Collections		3,977,970.00
3rd Quarter Collections		(241,294.00)
4th Quarter Collections		<u>4,919,308.00</u>
Total	\$	32,246,894.00

The Fiscal Office collected \$1,358,275.00 in support of the Philadelphia Taxicab Medallion Program:

	MEDALLION FEES	TRANSFERS	DRIVER CERT.	FINES	DRIVER CERT. FINES	COPY FEES	TOTAL
1st	\$ 752,700	\$ 67,375	\$ 4,690	\$ 29,400	\$ 6,275	\$ 301	\$ 860,741
2nd	108,050	66,150	11,460	12,125	8,051	1,017	278,853
3rd	1,950	57,575	16,400	4,200	9,400	725	90,250
4th	61,100	33,075	9,880	15,400	8,425	551	128,431
Total	\$ 995,800	\$ 224,175	\$ 42,430	\$ 61,125	\$ 32,151	\$ 2,594	\$ 1,358,275

The Fiscal Office also processed Accounts Receivable receipts for a total of \$704,457.00.

	ELECTRIC GENERATION	FINES	FILING & COPY FEES	TESTING FEES	TOTAL
1st	\$ 7,000.00	\$ 23,091.00	\$ 91,799.00	\$ 570.00	\$ 122,460.00
2nd	4,200.00	112,759.00	68,820.00	- 0 --	185,779.00
3rd	700.00	153,921.00	83,569.00	1,870.00	240,060.00
4th	1,050.00	66,561.00	87,952.00	595.00	156,158.00
Total	\$ 12,950.00	\$ 356,332.00	\$ 332,140.00	\$ 3,035.00	\$ 704,457.00

**Robert A. Christianson
Chief Administrative Law Judge**

The Office of Administrative Law Judge (OALJ) provides conflict resolution by independent administrative law judges. Judges preside at formal hearings in contested matters before the PUC, gather the facts relating to an individual case, prepare written decisions outlining the issues and recommend resolutions to the disputes.

The OALJ includes a mediation unit and a mediation coordinator. It is the PUC’s policy to encourage mediation and settlement rather than to see the parties engage in what may become lengthy and expensive litigation during the formal hearing process. Mediation is a voluntary, confidential and non-binding process through which a neutral third party, the mediator, assists the parties in reaching a mutually acceptable settlement of their disputes.

Highlights

The Office of Administrative Law Judge filed 999 decisions in FY 1998–99. Of this total, four were settle-

ment decisions and 130 were bench decisions (rendered by the Judge at the conclusion of the hearing).

During the fiscal year, the OALJ was assigned 108 Philadelphia taxicab medallion cases. Decisions were rendered in 145 Philadelphia taxicab medallion cases during FY 1998–99.

Also this year, the OALJ handled 111 mediation cases. Of the 111 cases, 12 involved non-Category I Rate Cases (11 percent) and 99 involved other cases (89 percent).

Two Category I (rate requests in excess of \$1,000,000) rate cases for which Administrative Law Judges rendered recommended decisions were voted upon by the Commissioners at public meeting and Final Orders were served during the 1998–99 fiscal year reporting period. Of these two cases, both involved a full settlement.

The utilities involved in the two Category I Rate Cases asked for \$16,025,519 in annual revenue increases. The ALJ decisions would have authorized \$8,802,599 (54.93 percent of the initial requests). The Commission ultimately authorized \$8,802,599 (54.93 percent of the initial requests).

Breakdown of Category I Rate Cases

DOCKET NUMBER	COMPANY NAME	COMPANY REQUESTED	ALJ RECOMMENDED	COMMISSION GRANTED
R-984280*	PG Energy, Inc.	\$ 14,309,369 100.00%	\$ 7,402,340 51.73%	\$ 7,402,340 51.73%
R-984375*	City of Bethlehem (Bureau of Water)	\$ 1,716,150 100.00%	\$ 1,400,259 81.59%	\$ 1,400,259 81.59%
TOTAL		\$ 6,025,519 100.00%	\$ 8,802,599 54.93%	\$ 8,802,599 54.93%

* Settlement

Summary of Tables

Table I, Caseload Status Report—A compilation of statistics reflecting caseload and performance during FY 1998–99.

Table II, Caseload by Type of Filing—Shows caseload data over time and shows type of filing as percentage of caseload at the end of a given time period. Data is presented for FY 1992–93 through FY 1998–99.

Table III, Summary of Act 294 Case Activities—Shows data for the actions taken during FY 1998–99 for cases subject to the provisions of Act 294 with comparative figures for FY 1994–95 through FY 1997–98. A percentage

breakdown for each of the time periods is shown as well.

Table IV, Commission Actions on ALJ Cases in Public Meeting—Shows data for actions taken by the Commission on initial and recommended decisions of ALJ’s during FY 1998–99; comparative figures for FY 1994–95 through FY 1997–98 are included in the table. A percentage breakdown for each of the time periods is shown as well.

Table V, Summary of ADR/Mediation Cases—Shows data for the actions taken during FY 1996–97 through FY 1998–99. A percentage breakdown for the time period is shown as well.

TABLE I

Caseload Status Report

	R.I.D.*	APPLICATIONS			COMPLAINTS					I.D.	OTHER	TOTAL
		FIXED	RAIL	NON-RAIL	FIXED	RAIL	NON-RAIL	PUC	S.T.			
Cases: Beginning of period	25	26	13	50	479	10	28	133	108	15	87	974
Cases Assigned to OALJ	25	31	5	73	945	10	14	169	395	36	128	1,831
Cases reassigned to another bureau												
Cases “completed”	34	32	7	94	1,045	16	37	245	441	27	151	2,129
Cases: End of period	16	25	11	29	379	4	5	57	62	24	64	676
Days of hearing	65	51	8	46	680	6	24	146	242	29	102	1,399

Cases reassigned to another bureau are included in Item 4, Cases “completed”

* Rate Investigation Docket

TABLE II

Caseload by Type of Filing

TYPE OF FILING	FY92-93	FY93-94	FY94-95	FY95-96	FY96-97	FY97-98	FY98-99
Rate Investigations	26	31	23	23	34	25	16
Applications	223	131	83	86	81	89	65
Complaints	801	890	791	1,046	917	758	507
Other	57	42	29	59	67	102	88
Totals	1,107	1,094	926	1,214	1,099	974	676

Caseload Percentages (%)

TYPE OF FILING	FY92-93	FY93-94	FY94-95	FY95-96	FY96-97	FY97-98	FY98-99
Rate Investigations	2.35	2.84	2.49	1.90	3.09	2.57	2.37
Applications	20.14	11.97	8.96	7.08	7.37	9.14	9.61
Complaints	72.36	81.35	85.42	86.16	83.44	77.82	75.00
Other	5.15	3.84	3.13	4.86	6.10	10.47	13.02
Totals	100.00	100.00	100.00	100.00	100.00	100.00	100.00

TABLE III

Summary of Act 294 Case Activities

CASE ACTIVITIES	FY94-95	FY95-96	FY96-97	FY97-98	FY98-99
No Exceptions or Commission Review	668	750	949	861	640
Exceptions/OSA	90	88	119	105	107
Commission Review/No Exceptions	44	57	35	25	20
Totals	802	895	1,103	991	767

Case Percentages (%)

CASE ACTIVITIES	FY94-95	FY95-96	FY96-97	FY97-98	FY98-99
No Exceptions or Commission Review	83.29	83.80	86.04	86.88	83.44
Exceptions/OSA	11.22	9.83	10.79	10.60	13.95
Commission Review/No Exceptions	5.49	6.37	3.17	2.52	2.61
Totals	100.00	100.00	100.00	100.00	100.00

TABLE IV

Commission Actions on ALJ Cases in Public Meeting

COMMISSION ACTION	FY94-95	FY95-96	FY96-97	FY97-98	FY98-99
Approved, Without Change	133	91	86	77	42
Approved, As Amended	60	63	28	23	16
Remanded	1	2	1	2	0
Reversed	4	4	4	2	0
Totals	198	160	119	104	58

Case Percentages (%)

COMMISSION ACTION	FY94-95	FY95-96	FY96-97	FY97-98	FY98-99
Approved, Without Change	67.17	56.83	72.27	74.04	72.41
Approved, As Amended	30.30	39.37	23.53	22.12	27.59
Remanded	0.51	1.25	0.84	1.92	0.00
Reversed	2.02	2.50	3.36	1.92	0.00
Totals	100.00	100.00	100.00	100.00	100.00

The two mediators concluded 111 cases, consisting of 106 proceedings (the figure 106 takes into account consolidated cases). The mediation system includes interim orders directing the parties to attempt to settle a matter between or among themselves (generally used when only two parties are involved); a notice indicating that a case is appropriate for mediation and asking whether the parties are consent to use the mediation process (generally used when more than two parties are involved); unscheduled mediations; and scheduled mediations. An unscheduled mediation includes, for example, where a mediator converses with the parties about the mediation process, or some mediation-related matter, and facilitates resolution during the course of the discussion. There also was one proceeding in which the Commission appointed a member of the mediation staff to serve as a neutral in an Alternative Dispute Resolution (ADR) Process other than mediation. That process resulted in the resolution of the case.

The following is a breakdown of the proceedings processed through the mediation process for fiscal year 1998–99:

1. Proceedings resolved through interim order process. 67
2. Proceedings resolved following the notice requesting consent, or notice setting mediation, but before mediation commenced 5
3. Unscheduled mediations 4
4. Scheduled mediations. 29
5. Other ADR proceedings. 1

Of the 34 proceedings covered by 3, 4 and 5 above, 28 were resolved on all issues resulting in full settlements, three were partially resolved, and three were terminated. Therefore, the ADR/Mediation Process has resulted in a success rate of 91 percent.

The following data represents the 111 mediation cases as categorized in two ways: (1) procedural type, and (2) utility type.

Procedural Type

1. Applications seeking permission to do a certain act. 12
2. Complaints against Utilities. 80
3. Petitions to take certain actions. 5
4. Rate increase filing. 12
5. Other 2

Utility Type

1. Electric. 29
2. Gas. 8
3. Motor Carrier 8
4. Rail 1
5. Telecommunications. 28
6. Water/Wastewater 37

TABLE V

Summary of ADR/Mediation Cases

TYPE OF CASE	FY96–97	FY97–98	FY98–99
Non-Category I Rate Cases	14	15	12
Other	17	40	99
Totals	31	55	111

Case Percentages (%)

TYPE OF CASE	FY96–97	FY97–98	FY98–99
Non-Category I Rate Cases	45.16	27.27	10.81
Others	54.84	72.73	89.19
Totals	100.00	100.00	100.00

Glenn Bartron **Director**

The Bureau of Audits is responsible for auditing Pennsylvania's fixed utilities. Gas, steam-heat and certain municipal electric utilities require an annual adjustment clause audit as mandated by the legislature. The audits verify the energy costs incurred by a utility, determining if the utility overbilled or underbilled customers for yearly energy charges. The PUC then decides if customer rates will be appropriately reduced or increased.

The Bureau performs audits of certain water utilities that are authorized to charge ratepayers a Distribution System Improvement Charge (DSIC). The DSIC enables water utilities to accelerate compliance with the Safe Drinking Water Act. Audits are conducted to ensure that only Commission-authorized expenses are included in the DSIC rates. Certain electric utilities impacted by the Electric Competition Act are authorized to recover a portion of their stranded costs through Competitive and Intangible Transition Charges. The utilities are required to file annual reconciliation statements associated with the application of these charges. The Bureau will perform audits designed to determine the accuracy and the propriety of the reconciliation statements.

Financial Audits

Financial audits cover a wide variety of financial issues. They also include original cost audits (OC), original cost studies (OCS), and continuing property records audits

(CPR). The audits determine the propriety of the property, plant and equipment records together with an evaluation of the usefulness of that equipment. The CPR audits are scheduled on a five-year cycle whereas the OC audits are dependent upon certain conditions being met and the utility submitting an OC study. Compliance audits examine a broad range of utility operations and determine adherence to prescribed laws and regulations.

Management Audits and Management Efficiency Investigations

Management audits are performed to determine the extent to which a utility has contained costs; developed reasonable long-range and short-range plans for its continued operation and maintenance; provided proper service to customers; and provided proper management and organizational structure.

Management efficiency investigations examine management effectiveness and the operating efficiency of the utilities and also assess the utilities' progress in implementing recommendations from prior management audits.

The audits are mandated for approximately 32 large and medium-size fixed utilities. These utilities must be audited every five to eight years. There are a few hundred utilities, with plant-in-service of less than \$10 million, subject to audit procedures on an as-needed basis. Bureau staff generally performs such audits as a result of a specific problem or complaint.

BUREAU OF AUDITS

Highlights

During fiscal year 1998–99, the Bureau conducted 202 audits, including 45 regular audits and 157 special project audits. These included 36 Section 1307 audits with a finding value of \$11,625,573 and four financial audits resulting in rate base reductions of \$573,407.

The Management Audit Division completed work on three management audits, two management efficiency investigations, and five special audits or projects. Combined, the audits identified 109 opportunities for improvement with potential annual and one-time savings (where they could be quantified) of up to \$4.8 million and \$500,000, respectively. Actual net annual and one-time savings from implementation of prior management audit recommendations were found to approximate \$10.9 million and \$1.1 million, respectively.

Please note that these are maximum savings associated with only those recommendations that could be quantified. Many of the potential benefits from recommendations in the audit reports are qualitative in nature, such as improved service and safety levels or improved system reliability.

Special project audits, including reviews of utility distribution and system improvement charge, gas cost rate, steam cost rate and pipeline cost rate filings, resulted in net rate adjustments of approximately \$213,000.

Section 1307 Audits

Section 1307 audits produced the following adjustments which have been refunded to customers:

UTILITY	REFUND
PECO Energy (Electric)	\$ 2,356,878
Valley Cities	59,674
Pike County Gas	3,138
Columbia Gas	6,970,599
Peoples Gas Co.	2,004,836
PECO Energy (Gas)	230,448
Total	\$ 11,625,573

Financial Audits

Financial audits resulted in the following reductions to the utilities' rate base.

UTILITY	REDUCTION
United Water	\$ 573,407

Management Audits

Management audits and management efficiency investigations identified the following potential savings to the utilities:

	ANNUAL	ONE-TIME
Peoples Gas	\$ 412,000	-
Philadelphia Suburban Water	70,000	478,000
GPU Energy (PA Zones)	4,075,000	-
Consumers PA Water	262,900	-
Total	\$ 4,819,900	\$ 478,000

Also, the completed management efficiency investigations identified savings achieved by utilities through implementation of recommendations in prior audits.

	ANNUAL	ONE-TIME
Peoples Gas	\$ 10,700,000	\$ 1,000,000
Citizens Utilities Water	196,006	119,225
Total	\$ 10,896,006	\$ 1,119,225

List of Audits

Financial Audits

UTILITY	TYPE OF AUDIT*	YEAR(S) COVERED
United Water	CPR	Various ended 12/31/96
Pocono Water O.C.	OC	As of 12/31/96

*CPR — Continuing Property Record
 OC — Original Cost

Management Audits and Management Efficiency Investigations

Management Audits

Philadelphia Suburban Water
 GPU Energy (PA Zones)
 Consumers Pennsylvania Water

Management Efficiency Investigations

Peoples Gas
 Conestoga Telephone

Operational Audits

UTILITY	TYPE OF AUDIT	YEAR(S) COVERED
PECO Energy	ECR	1995
PECO Energy	ECR	1996
Penelec	ECR	1995
Penelec	ECR	1996
MetEd	ECR	1995
MetEd	ECR	1996
Schuylkill Haven	PPEAC	1996
Schuylkill Haven	PPEAC	1997
Pike Co. Elec.	ECR	1996
Duncannon	PPCA	1996
Duncannon	PPCA	1997
Penn Power	ECR	1995
Penn Power	ECR	1996
Valley Cities	GCR	1995
Valley Cities	GCR	1996
PG Energy	PGC	1995
PG Energy	PGC	1996
Honesdale Gas	GCR	1996
Honesdale Gas	GCR	1997
PFG Gas, Inc.	GCR,PGC,TCRS	1996
Pike County Gas	GCR	1996
Columbia Gas of PA	PGC	1994
Columbia Gas of PA	PGC	1995
Baker Gas Co.	GCR	1995
Baker Gas Co.	GCR	1996
Baker Gas Co.	GCR	1997
Peoples Gas Co.	PGC	1995
Peoples Gas Co.	GCR	1996
PECO Energy	PGC	1997
PG Energy	PGC	1997
CCEC	SCR	1996
CCEC	SCR	1997
Trigen	SCR	1997
Trigen	SCR	1998
IEC Pipeline	PCR	1997
IEC Pipeline	PCR	1998

ECR — Energy Cost Rate
 GCR — Gas Cost Rate
 PGC — Purchased Gas Cost
 SCR — Steam Cost Rate
 PCR — Pipeline Cost
 PPEAC — Purchased Power Expense Adj. Clause
 PPCA — Purchased Power Cost Adj.
 TCRS — Transition Cost Recovery Surcharge

BUREAU OF AUDITS

Special Projects

UTILITY	TYPE OF WORK
Russell Hill Water	Assisted Bureau of FUS in assessing the financial record-keeping of water and waste-water companies.
PECO Energy Co.	Review of certain outages found the company responded adequately and provided generally reliable information to the Commission.
Palmerton Tel. Co.	Recommended approval of Palmerton petition to amortize \$312,449 of extraordinary loss.
Wilbar	Withdrawn—PENNVEST to do its own audit.
Gas Cost Rate	Reviewed Gas Cost Rate preliminary filings from 10 smaller gas utilities.
AT&T of Pa. (2)	Five findings on T.R.S. audit resulted in "Motion" for policy statement.
Phila. Suburban	Distribution System Improvement Charge (DSIC) audit found general compliance and two procedural findings.
Ritchey Transportation	Reviewed assessment computation records onsite. Quick response report issued; adjustments recommended.
PP&L	Recommended the Commission approve PP&L's transfer of its EGS function to an affiliate.
PA American	Distribution System Improvement Charge (DSIC) audit had three procedural findings.
Glendale Water	PENNVEST compliance review. Company paid off PENNVEST loan.

Z. Ahmed Kaloko
Director

The Bureau of Conservation, Economics and Energy Planning (CEEP) conducts studies and research and performs policy and planning functions.

Conservation and Load Analysis

CEEP develops energy, water, and telecommunications policy and disseminates information and analysis on utility operational aspects. It also researches a broad range of utility policy issues, including potential impacts of utility restructuring activities, market power, energy strategies, mandatory water conservation plans and appropriate technologies, resource planning, competitive bidding and rate design.

Economics and Energy Planning

CEEP provides economic analysis of major issues affecting the energy, water and telecommunications industries. It reviews proposals and assesses the potential impact on rates; develops economic development rates; prepares periodic reports on the economic status of the Commonwealth; and prepares utility operational and efficiency reports.

CEEP also prepares annual reports on electric and gas utilities' long-range demand forecasts and integrated resource plans. It reviews projections for transmission line expansion needs and monitors and reviews base load generating outages.

Highlights

Electric Service Reliability

The Commission adopted CEEP's recommended final regulations that establish standards and procedures for continuing and ensuring the safety, adequacy and reliability of the electric system in Pennsylvania. The Commission also adopted CEEP's recommended reliability performance standards addressing the frequency and duration of service outages. Each electric distribution company must submit a reliability report annually, on or before May 31, assessing the reliability of electric service for the past year, describing major service outage events and reporting actual values of four reliability indices.

Advanced Metering Issues

On October 16, 1998, the Commission approved a Revised Final Rulemaking Order on Advanced Meter Deployment for Electricity Providers. The Commission adopted a Final Order on March 31, 1999, approving the Metering Committee's Advanced Meter Standards Report. It also approved a Secretarial Letter adopting the Metering Committee's Reference Manual for Advanced Meter Qualification Procedures and Requirements. Ongoing tasks also include (1) approving grand-fathered advanced meter products currently in use as submitted by the jurisdictional electric distribution companies (EDCs); (2) coordinating activities related to advanced meter qualification and meter services provider certification; and (3) preparing an annual report on advanced metering activities.

Renewable Energy Activities

Through a collaborative process Commission staff, the EDCs and interested joint petitioners formulated goals and objectives to guide the EDCs in developing and implementing renewable energy pilot program plans. These two-year programs, a result of the restructuring plan settlements, require the EDCs to establish programs that will deliver renewable energy technology to low-income customers. The Commission approved these goals and objectives on June 10, 1999.

The EDCs must also establish sustainable energy funds which will promote (1) the development and use of renewable energy and clean energy technologies; (2) energy conservation and efficiency; and (3) renewable business initiatives. On May 21, 1999, the Commission approved the advisory board/board of directors for each EDC's sustainable energy fund. It also established a statewide oversight board to provide guidance and technical assistance to the sustainable energy funds.

PECO Energy's Competitive Default Service

PECO Energy's settlement provides for competitive bidding regarding a competitive supplier of last resort. The competitive default service (CDS) provider will be responsible for offering service up to 20 percent of PECO's residential market. The residential market is composed of three customer classes: residential, residential heating, and residential off-peak. CEEP acted as the project manager for this assignment and will provide

similar assistance for PP&L, GPU, Allegheny Power and Duquesne Light.

Other Activities

Midwest Power Situation

CEEP reported on the short and long-term reliability assessment of the Midwest region and the Midwest power market. The bureau examined the subject because of the weather, operating conditions and transmission constraints that resulted in prices climbing to extraordinarily high levels last year. The report noted problem areas and improvements from one year ago.

Foreign Delegations

The Bureau of CEEP hosted six foreign delegations from six different countries during the 1998–1999 fiscal period, including Japan, Egypt, Mexico, Spain, China and Ukraine. The main topic of discussion for these delegations was the restructuring of the electric industry.

Economic Development

The Commission and the Department of Community and Economic Development (DCED) have a shared interest in Pennsylvania's utility infrastructure in creating jobs and revitalizing communities through job creation and capital investments. CEEP assisted in preparing a memorandum of understanding between the Commission and DCED to foster greater cooperation between the two agencies and promote economic development. The agreement allows companies to petition for entry into the state's Electric Choice Program.

Two threshold requirements must be met before an economic development petition will be granted. The petitioner must be an active job retention or attraction client of DCED and it must be committed to maintaining for three years a specified job level at the particular location.

Governor's Green Government Council

Governor Tom Ridge created the Governor's Green Government Council on March 25, 1998, to help Pennsylvania state government implement environmentally friendly operation policies and practices. The order required all Commonwealth agencies to provide sufficient funds to develop and implement its Green Plan.

The PUC Green Plan for fiscal year 1999–2000 consisted of four projects: the paperless environment, paper usage reduction, on-line case management reports and automated tariffs for major utilities.

Water

Through the collaborative process outlined in the *Five-Year Plan for Regulation of Water Services*, the Small Water Company Assistance Subgroup has established a mentoring project to strengthen communication between small water system owners, members of the subgroup and regulatory agencies. One goal of the mentoring program is to assist small water utilities in completing a self-assessment guide, a tool for assessing a utility's operational, technical, managerial and financial strengths and weaknesses. During the fiscal year, staff conducted a study of small jurisdictional water utilities to determine candidates for possible contact through the mentoring program. This study included analyzing financial data as well as regulatory compliance and included all Class C (revenues up to \$100,000) water utilities.

Federal Proceedings

The following is a summary of CEEP's electric and natural gas reliability and restructuring analyses prepared for either the Commission or the Law Bureau for the Federal Energy Regulatory Commission (FERC) for the fiscal year.

- Analysis of Natural Gas Supply and Demand for PL99-2-000
- Investigation into Midwest Price Spikes
- Analysis of PJM's FTR Auction
- Analysis of PJM's Market Monitoring Unit
- Analysis of Midwest ISO
- Analysis of Alliance ISO
- Preliminary Analysis of PJM's Capacity Benefit Margin
- FERC's Consultation with States on FPA Section 202(a) RTOs
- Investigation into PJM Installed Capacity Prices
- Preliminary Analysis of PJM Futures Market

Reports Issued by CEEP

Electric Utility Operational Reports — analyzes monthly and cumulative data for generation, sales revenues, and prices of Pennsylvania's investor-owned electric utilities.

Natural Gas Utility Update — analyzes monthly and cumulative data for sales, revenues and prices of Pennsylvania's investor-owned gas utilities.

Comparative Economic Initiatives of Pennsylvania EDCs — charts the programs and customers of the individual EDCs that provided job expansions and retentions.

Profiles of Pennsylvania EDCs — summarizes relevant economic and financial information relating to the health of each EDC.

Profiles of Natural Gas Companies — summarizes relevant economic and financial data relating to each natural gas company.

Economic Development Activities of Pennsylvania Electric Utilities — identifies the economic development activities of the individual EDCs.

Comparative Economic and Policy Analysis on Independent System Operators — a comparative analysis of PJM, the Midwest and the Alliance ISOs.

Electric Power Outlook for Pennsylvania 1997–2007 — a statistical report summarizing and discussing the current and future electric power supply and demand for the EDCs.

BUREAU OF CONSUMER SERVICES

Mitchell Miller **Director**

The Bureau of Consumer Services (BCS) responds to consumer complaints, provides utility-related information to consumers, monitors utility compliance with PUC regulations and evaluates utility performance. The Bureau consists of a Division of Customer Assistance and Complaints and a Policy Division.

Division of Customer Assistance

The Division of Customer Assistance and Complaints handles informal consumer complaints, payment arrangement requests and inquiries involving electric, natural gas, telephone, steam heat, water and wastewater companies. Consumers contact the Bureau through one of two toll-free telephone numbers, by letter or by e-mail. Investigators arbitrate billing, credit and miscellaneous problems and issue binding decisions to resolve informal disputes expeditiously. Investigators also issue decisions regarding the amortization of overdue electric, gas, steam heat, water, wastewater and telephone bills. The Division helps to insure that service termination does not occur without impartial review. Consumers can also call the Division's 1-888-782-3228 line if they have questions about utility competition and the restructuring of the electric industry.

Policy Division

The Policy Division monitors and evaluates the customer service practices and programs of utilities. Division staff complete field reviews and audits of utilities' operations and advise the Commission regarding consumer issues. The Division also works to insure that utilities comply with customer service regulations including regulations for the Low Income Usage Reduction Program (LIURP) and the Commission's Customer Assistance Program (CAP) Policy Statement. Compliance responsibilities include enforcement activities such as informal investigations and serving as prosecutorial staff on formal cases.

The Division uses its Consumer Services Information System (CSIS) to track trends in the number and type of consumer complaints and inquiries, utility performance at handling customer complaints and payment arrangement requests, and to monitor the LIURP. The Division maintains other databases to track utility termination activity, collection of delinquent accounts, compliance

with customer service regulations and other areas critical to evaluating utility customer service performance. The information in the CSIS and Bureau databases, as well as findings from the Division's field reviews, permit the Bureau to analyze utility performance and produce evaluative reports for the PUC, utilities and the public.

Highlights

The Bureau began investigating utility consumer complaints and writing decisions on service termination cases in April 1977. Since then the Bureau has investigated 566,776 cases (informal complaints) and has received an additional 386,067 opinions and requests for information (inquiries). The Bureau received 64,046 utility customer contacts that required review in 1998.

The Bureau focuses on seven areas, including complaint handling, complaint analysis and feedback, utility program evaluation, payment-troubled customer analysis, consumer policy analysis, regulation enforcement and management reports. Generally, customer contacts to the Bureau fall into three basic categories: consumer complaints, requests for payment arrangements, and inquiries. The Bureau classifies complaints about utilities' actions related to billing, service delivery, repairs, etc., as consumer complaints and complaints involving payment negotiations for unpaid utility service as payment arrangement requests.

The Bureau investigated 13,311 consumer complaints in 1998. Overall, the volume of consumer complaints to the Bureau increased by 77 percent from 1997 to 1998. Consumer complaints about the Chapter 56-covered industries (electric, gas, water, sewer and steam heat) increased by 61 percent from 1997 to 1998. Meanwhile, consumer complaints about the telephone industry increased significantly, by 96 percent. This increase was primarily due to the growth in competition among telecommunications providers.

During 1998, the BCS handled 50,735 requests for payment arrangements from residential customers. Payment arrangement requests for the Chapter 56-covered utilities increased 14 percent, from 39,161 in 1997 to 44,646 in 1998. For the telephone industry, the volume of payment arrangement requests increased by 19 percent, from 5,113 requests in 1997 to 6,088 in 1998. As in past years, the majority of requests for payment arrangements in 1998 involved electric or gas companies.

During 1998, the Bureau received 59,632 inquiries. Inquiries include information requests and opinions from consumers, most of which did not require investigation. The 1998 inquiries include contacts to the Competition Hotline as well as contacts to the Bureau using other telephone numbers, mail service and e-mail communication.

In order to monitor its own service, the Bureau of Consumer Services surveys consumers who have contacted BCS with a utility-related problem or payment arrangement request. The survey collects information from the consumer's perspective about the quality of the Bureau's complaint-handling service. The results of the survey for fiscal year 1998–99 show that 87 percent of consumers reported that they would contact the PUC again if they were to have another problem with a utility that they could not settle by talking with the company. Over 85 percent rated the service they received from the PUC as "good" or "excellent."

Universal Service Programs — The Electricity Generation Customer Choice and Competition Act ensures that universal service and energy conservation programs are appropriately funded and available in each electric distribution territory. Universal service includes Customer Assistance Programs (CAP), Low Income Usage Reduction Programs (LIURP), CARES programs and hardship funds. CAP provides payment assistance; LIURP provides usage reduction services; CARES provides case management and referrals to other services; and a hardship fund provides cash energy assistance.

As a result of Commission orders and settlement agreements, each electric distribution company (EDC) will significantly expand universal service funding and enrollment levels. By 2002, the LIURP funding will double from \$9.5 million to \$18.8 million, serving about 18,800 households. The CAP funding will triple over the next four years from \$23.1 million to \$78.4 million, serving about 150,000 households. In 1998, almost 10,000 natural gas customers participated in CAP programs and 1,160 households received LIURP services.

Outsourcing BCS Call Center Functions — In July 1998, the Diversified Data Services Call Centers, Inc. began to answer consumer calls to the PUC's Competition Hotline. Prior to July, the calls were answered by BCS staff. The Lancaster-based call center uses the BCS computerized information system to record information

about the calls they handle. Since July 1998, the call center has handled more than 57,000 calls related to electric choice.

In March 1999, the call center started answering consumer calls to the PUC's payment arrangement hotline. The purpose for outsourcing this function was to provide an education and information program for customers who have experienced or are experiencing difficulty in keeping current with their utility bills. Consumers contacting this hotline are given information about universal service programs. Through June 1999, the call center has answered more than 41,000 calls to the payment arrangement hotline.

Quality of Service Regulations — On April 23, 1998, the Commission amended its regulations to add quality of service reporting requirements for EDCs. The regulations ensure that the EDC customer service programs are maintained, at a minimum, at the same level of quality under retail competition as under a fully regulated market. The regulations establish uniform measures and standard data reporting requirements for various components of an EDC's customer service performance. The Commission will use the data to evaluate each EDC's customer service performance. In this way, the Commission can monitor customer service performance in the electric industry and avoid the deleterious effects competition has sometimes had in other industries.

The regulations require companies to report statistics regarding various components of an EDC's customer service, such as telephone access, billing, meter reading and timely handling of customer disputes. These regulations also require that the EDCs survey customers who have contacted them to measure how satisfied these customers are with their recent interactions with the company.

Finally, the reporting requirements also include statistics from the PUC's Bureau of Consumer Services. The BCS will report its findings to the Commission by using several statistics that the Bureau has used in its annual report for the past several years. The Commission must summarize all the statistics it receives from the EDCs and from the BCS and make them available to the public. Based on the data it has collected, the Commission will set benchmarks and standards for EDC customer service performance.

BUREAU OF CONSUMER SERVICES

Enforcement Activities — The BCS was involved in various telephone enforcement activities including the HSS Vending investigation. Since June 1998, Bureau staff have participated with the Law Bureau in the formal complaint (C-00981581) proceeding filed against HSS Vending Distributors which provided interexchange reseller telephone service within the Commonwealth. Due to numerous violations of the Public Utility Code the Commission adopted and entered an Order on January 28, 1999, ordering that HSS Vending pay to the Commission a civil penalty of \$995,000.

The Bureau was also involved in electric restructuring enforcement activities which included several informal investigations and a settlement of a case against PPL Energy Plus that involved slamming issues.

The PUC Consumer Advisory Council

The Consumer Advisory Council represents the public in advising the Commissioners on consumer interest matters under the PUC's jurisdiction, or which the Council believes should be brought under PUC jurisdiction.

Interactions between the Council and the Commissioners occur through regular meetings and in writing via minutes of meetings and formal motions. Council meetings are generally held on the fourth Tuesday of the month in PUC Executive Chambers in Harrisburg starting at 10 a.m. and are open to the public. Bureau staff assist the Council in hosting and conducting the meetings.

Council members serve two-year terms. The 1997–99 term began on July 1, 1997, and continues through June 30, 1999. Members include:

Cindy Datig — Council Vice Chair

Executive Director, Dollar Energy Fund, Inc., Pittsburgh, Pa. Appointment by Commission-at-Large.

Joe Dudick Jr.

Executive Director, Pennsylvania Rural Development Council, Harrisburg, Pa. Appointed by Commission-at-Large.

Joy M. Dunbar

Chief Executive Officer, Pennsylvania Rural Leadership Program, Penn State University, State College, Pa. Appointment by Commission-at-Large.

William Farally

International Representative, Sheet Metal Workers International Association, Local 19, Media, Pa. Reappointment by Sen. Clarence D. Bell.

Harry S. Geller

Director, Pennsylvania Utility Law Project, Harrisburg, Pa. Appointment by Commission-at-Large.

William J. Jones

Retired, Deputy Director, Delaware County Court Services, Delaware County. Appointment by Commission-at-Large.

Carl Kahl

Retired public school teacher and administrator; owner of a small beef farm, Somerset County. Appointment by former state Rep. William R. Lloyd Jr.

Andrew McElwaine

President, Pennsylvania Environmental Council, Harrisburg, Pa. Appointment by Commission-at-Large.

Brooks Montcastle

Policy Analyst, Clean Air Council, Harrisburg, Pa. Appointment by Commission-at-Large.

Katherine A. Newell, Esq. — Council Chair

Partner, DeCotiis, Fitzpatrick & Gluck, Trenton, N.J. Reappointment by Lt. Governor Mark S. Schweiker.

Christina Jirak O'Donnell

Director, Corporate Communications, GAI Consultants, Inc., Pittsburgh, Pa. Appointment by Commission-at-Large.

Dr. Daniel M. Paul

President, Partners in Distance Learning, Ashland, Pa. Appointment by Commission-at-Large.

James S. Schneider

Manager, Corporate Energy Affairs, R.R. Donnelley & Sons Company, Lancaster, Pa. Appointment by Commission-at-Large.

Julio J. Tio

Retired chemical engineer, Dauphin County. Appointment by Commission-at-Large.

BUREAU OF FIXED UTILITY SERVICES

Robert Rosenthal
Director*

The Bureau of Fixed Utility Services (FUS) is a multi-purpose organization providing technical support to the Commissioners and Commission offices and bureaus on rate and tariff matters filed by regulated electric, gas, telecommunications, water and wastewater utilities. The Bureau serves as a principal advisor to the Commission on technical issues and advocates policy recommendations on a variety of rates, tariffs and regulatory matters pertaining to fixed utilities.

Specific duties of FUS include reviewing tariffs, securities certificates and affiliated interest agreements; applications filed by fixed utilities, including the licensing of competitive electric suppliers; annual depreciation report filings; and requests for approvals to transfer or sell fixed utility assets. It also reviews public utility/municipal contracts, quarterly earnings reports, County 911 System Plans, Telecommunications Relay Service Reports and Telephone Company Quality of Service Reports.

Bureau responsibilities also include assisting the Commission in developing generic guidelines, new regulations, policy statements and rulemakings, compiling annual and informational reports to the Governor and General Assembly, and providing pre-filing guidance to utilities in order to facilitate accurate and complete tariff filings. The Bureau also works closely with other state agencies such as PENNVEST and the Department of Environmental Protection to assure quality water and wastewater service to Pennsylvania citizens.

The Bureau also coordinates emergency operations, acting upon emergency reports from utilities and serving as the principal point of contact with electric utilities for reporting incidents and/or problems at a nuclear power station. The FUS director has the authority to act for the Commission during emergencies and represents it on the Pennsylvania Emergency Management Council.

Bureau personnel review technical evidence and perform as expert witnesses, as needed, when assigned to cases being prosecuted before the Commission by the Office of Trial Staff and Law Bureau prosecutory staff. The Bureau also provides assistance in the technical phases of proceedings before the Federal Energy

Regulatory Commission and the Federal Communications Commission.

Highlights

Overview:

Fixed utilities regulated	1215
General rate requests processed	27
Regulatory filings requiring reports to the Commission	451
Other regulatory filings	2,317
Advisory services performed.	15,432
Enforcement investigations	45
Hours devoted to PEMA	1,280
Hours devoted to Y2K.	1,179

**Fixed Utility Rate Cases:
Requested and Allowed**

Gas Utilities requested	\$15,039,110
the Commission allowed	\$7,435,434
Private Water Utilities requested	\$2,667,747
the Commission allowed	\$1,615,145
Municipal Water Utilities requested.	\$2,379,749
the Commission allowed	\$2,069,020
Wastewater Companies requested.	\$802,882
the Commission allowed	\$397,073
Municipal Wastewater Companies requested.	\$40,805
the Commission allowed	\$14,697

In fiscal year 1998–99, the Commission completed the following number of requests by utility group:

Gas	2
Water	18
Wastewater	7

Total Number of Utilities by Utility Group

Electric – Generation Suppliers.	107
Electric – Distribution	16
Gas.	36
Local Exchange Carrier	38
Competitive Local Exchange Carrier	115
Access/Interexchange	59
Resellers.	542
Water	199
Wastewater	90
Pipeline	7
Steam heat.	3
Telegraph	1
Heating/Cooling	2
TOTAL.	1,215

* Appointed Aug. 16, 1999

BUREAU OF FIXED UTILITY SERVICES

Information by Quarter

ACTIVITY	1st QTR.	2nd QTR.	3rd QTR.	4th QTR.	TOTAL
Reports Presented in Public Meeting	142	115	111	83	451
Secretarial Letters Prepared	113	115	192	251	671
Inspections Conducted	4	7	21	13	45
Annual Reports Reviewed	175	44	157	440	816
Utility Tariffs Deleted	8	4	6	48	66
Earnings Reports Reviewed	33	33	62	1	129
Total Tariffs Processed	377	330	422	367	1,496
Website Tariff Hits	—	—	1,763	2,400	4,163
Cases Closed-Out:					
Affiliated Interest Agreements	17	17	33	16	83
Annual Depreciation Reviews	0	0	0	26	26
Applications	89	63	78	79	309
EAS* Poll Petitions	2	3	0	1	6
Metering Plans	0	0	1	0	1
Municipal/Utility Agreements	51	31	33	28	143
Petitions (various)	7	8	9	8	32
Rate Cases:**					
— under \$250,000	8	3	7	2	20
— \$250,000 to \$1,000,000	2	2	5	2	11
— over \$1,000,000	7	1	1	2	11
Securities Certificates	23	2	10	7	42
STAS*** Filings	0	2	3	8	13
Tariff Revisions:					
Initial	51	77	78	38	244
Informational	102	107	25	1	235
General	43	64	66	44	217
Gas Transition Costs	10	6	6	4	26
Underground Exemptions	2	1	1	1	5
911 Plans	1	1	0	0	2

* Extended Area Service

** Represents cases closed by FUS. Cases may remain open with other Commission entities.

*** State Tax Adjustment Surcharge

Rate Cases Completed

TYPE	NO. OF RQSTS.	\$ REQUESTED	\$ ALLOWED	% ALLOWED	\$ DENIED	SETTLEMENTS		RATE CASES*	
						NO.	\$	NO.	\$
Gas	2	15,039,110	7,435,434	49	7,603,676	1	7,402,340	1	33,094
Private Water	15	2,667,747	1,615,145	61	1,052,602	8	1,442,541	7	172,604
Municipal Water	3	2,379,749	2,069,020	87	310,729	0	0	3	2,069,020
Wastewater	7	843,687	411,770	49	431,917	3	368,000	4	43,770
TOTAL	27	\$ 20,930,293	\$ 11,531,369	55	\$ 9,398,924	12	\$ 9,212,881	15	\$ 2,318,488

*Rate cases include total request granted and utility-accepted alternatives as well as ALJ/Commission order.

Average Rates of Return Allowed

UTILITY TYPE	YEAR	AVERAGE OVERALL RETURN ALLOWED ON RATE BASE—%	AVERAGE RETURN ALLOWED ON COMMON EQUITY—%
Gas	1998–1999	9.75	11.00
Water	1998–1999	5.90	11.00

BUREAU OF FIXED UTILITY SERVICES

Completed Rate Cases

UTILITY		\$ REQUEST	\$ ALLOWED	% ALLOWED	PREVIOUS REQUEST	\$ ALLOWED	% ALLOWED	DATE
GAS								
PG Energy, Inc.		15,000,615	7,402,340	49	14,086,924	7,499,777	53	12/19/96
Nido's LTD, Inc. T/A Kaylor Gas Dist.		38,495	33,094	86	21,222	9,184	43	7/6/89
TOTAL		15,039,110	7,435,434	49	14,108,146	7,508,961	53	
PRIVATE WATER								
C S Water & Sewer – Water	*s	27,270	5,000	18	n/a			
Redstone Water Co., Inc.	*s	153,297	147,481	96	92,453	60,000	65	3/5/92
Shangri-La Water Co., Inc.	*s	50,286	3,300	7	n/a			
Consumers Pa. Water Co.	*s	340,000	182,083	54	504,505	387,500	77	7/8/96
Manufacturer's Water Co.	*s	999,456	620,750	62	975,020	803,802	82	8/21/81
Newtown Artesian Water Co.	*s	501,905	250,000	50	841,345	499,000	59	4/23/95
Reynolds Water Company		76,656	58,479	76	57,686	37,541	65	12/9/95
Mountain Spring Water, Inc.		4,485	4,485	100	6,467	6,467	100	5/6/94
Palmer Water Company		74,170	74,170	100	70,061	19,041	27	9/13/92
Quentin Water Company		9,955	9,810	99	11,992	1,428	12	10/15/97
Twin Lakes Water Company	*s	36,750	22,388	61	n/a			
Geigertown Water Company		19,850	16,305	82	5,141	5,142	100	9/1/88
Meribah Water Company		3,323	3,323	100	n/a			
Audubon Water Company	*s	364,312	211,539	58	286,591	142,000	50	5/25/95
Clarendon Water Company		6,032	6,032	100	33,010	14,822	45	3/1/96
TOTAL		2,667,747	1,615,145	61	2,884,271	1,976,743	69	
PRIVATE WASTEWATER								
Glenburn Services Company		37,950	19,342	51	Initial Tariff			
Aldick Associates, Inc.		5,531	5,531	100	Initial Tariff			
C S Water & Sewer – Sewer	*s	51,861	5,000	10	n/a			
Shangri-La Sewer Co., Inc.	*s	73,641	55,000	75	n/a			
Fairview Sanitation Co.		4,200	4,200	10	6,860	6,890	100	7/1/92
Riviera Utilities Sewer Co. Pa.	*s	629,699	308,000	49	n/a			
TOTAL		802,882	397,073	49	6,860	6,890	100	
MUNICIPAL WATER								
Bethlehem, City of		1,716,150	1,400,259	82	527,515	364,904	69	10/2/97
Schuylkill Haven, Borough of		416,209	386,059	93	146,450	27,567	19	11/30/95
Williamsburg, Borough of		247,390	282,702	114	24,105	11,935	50	12/8/95
TOTAL		2,379,749	2,069,020	87	698,070	404,406	58	
MUNICIPAL WASTEWATER								
Williamsburg, Borough of		40,805	14,697	36	21,159	21,159	100	5/1/94
TOTAL		40,805	14,697	36	21,159	21,159	100	
GRAND TOTAL		20,930,293	11,531,369	55	17,718,506	9,918,159	56	

*s = settlement

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Comparative Electric Prices

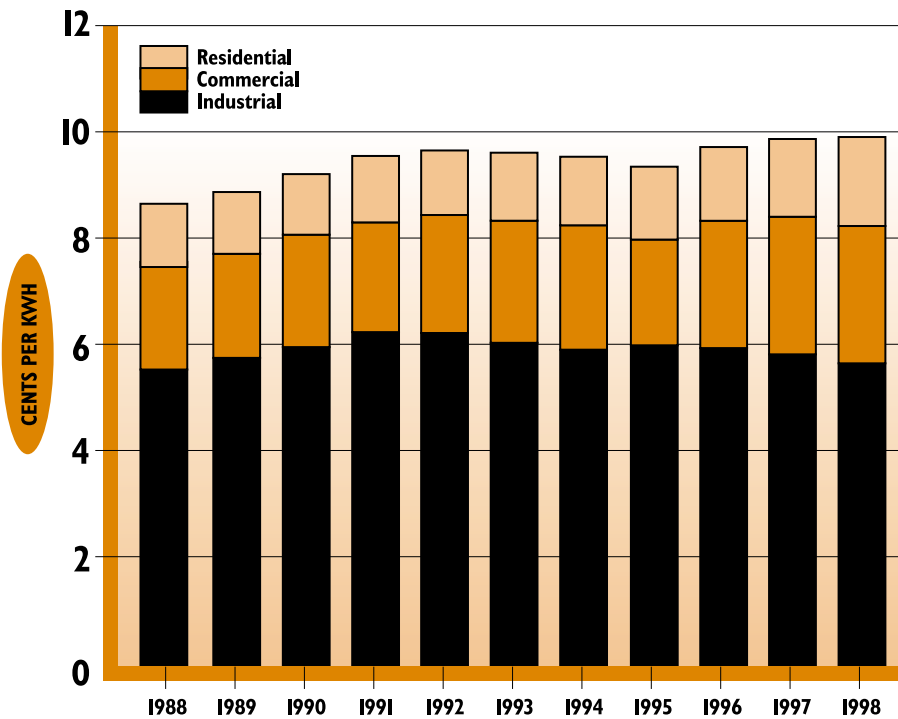
This section presents a study of electricity prices in the Commonwealth for the years 1988 through 1998. The study presents electricity prices for residential, commercial and industrial customer classes. "Price" was calculated as revenues divided by energy sales and represents a weighted average cost of energy.

The study presents nominal and real prices. Real prices reflect inflation and are the product of nominal prices and the implicit price deflator for the Gross National Product.

Overview of Pennsylvania Electricity Prices

The graph below represents the Pennsylvania weighted

average price of electricity to residential, commercial and industrial customers from 1988 to 1998. The residential customer's weighted average price of electricity increased from 8.66 cents to 9.94 cents, representing an increase of 14.7 percent in nominal terms, or -19 percent in real terms. The commercial customer's weighted average price of electricity increased from 7.54 cents to 8.24 cents, representing an increase of 9.2 percent in nominal terms, or -23 percent in real terms. The industrial customer's weighted average price of electricity increased from 5.52 cents to 5.69 cents, representing an increase of three percent in nominal terms, or -27 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.



% Change

	RES.	COMM.	IND.
Nominal	14.7	9.2	3.0
Real	-19.1	-23.0	-27.3

Residential Electricity Prices

The weighted average residential price of electricity increased 14.7 percent over the 11-year period, rising from 8.66 cents/kwh in 1988 to 9.94 cents/kwh in 1998. In real terms (adjusted for inflation to 1998 dollars), the weighted average price decreased 19 percent.

The table below compares the weighted average residential prices of the eight major electric utilities in Pennsylvania for the period. In nominal terms, West Penn Power Co.'s weighted average residential prices increased fastest at 25.3 percent while Pennsylvania Power Company's weighted average prices changed by 1.0 percent. In real terms, the residential customers of all companies experienced a decrease in weighted average residential prices.

**Pennsylvania Major Electric Utilities Residential Weighted Average Revenue Per KWH
1988 – 1998
(cents/kwh)**

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1988	10.09	7.92	7.78	9.11	7.79	11.21	7.26	5.52
1989	12.27	7.78	7.82	9.95	7.72	11.60	7.41	5.24
1990	12.35	8.01	7.86	9.81	7.92	12.53	7.36	5.40
1991	12.55	8.45	8.16	9.70	8.11	13.02	7.67	5.84
1992	12.79	8.60	8.27	9.92	8.27	13.18	7.93	5.96
1993	12.40	8.42	8.30	9.70	8.19	12.82	7.62	6.30
1994	12.36	8.35	8.50	9.58	8.15	12.75	7.58	6.55
1995	12.31	8.64	8.55	9.48	8.18	12.96	7.91	6.89
1996	12.17	8.83	8.70	9.44	8.47	12.82	8.25	6.55
1997	12.17	9.14	8.98	9.57	8.51	13.09	8.65	6.83
1998	11.98	8.95	8.70	9.20	8.57	13.30	8.76	6.92
% Change								
Nominal	18.7	13.0	11.8	1.0	10.0	18.6	20.7	25.3
*Real	-16.3	-20.3	-21.2	-28.8	-22.4	-16.4	-14.9	-11.6

* Adjusted for inflation to 1998 dollars

LEGEND

DQSN Duquesne Light Co.
 MET-ED Metropolitan Edison Co.
 PNLC Pennsylvania Electric Company
 PPC Pennsylvania Power Co.
 PPL Pennsylvania Power & Light Co.
 PECO PECO Energy Co.
 UGI UGI Utilities Inc.
 WPP West Penn Power Co.

BUREAU OF FIXED UTILITY SERVICES

Commercial Electricity Prices

The weighted average price for electricity for Pennsylvania's commercial customers increased 9.2 percent over the 11-year period, rising from 7.54 cents/kwh in 1988 to 8.24 cents/kwh in 1998. In real terms (adjusted for inflation to 1998 dollars), the weighted average price decreased 23 percent.

The table below compares the weighted average commercial prices of the eight major electric utilities for the period. In real terms, the commercial customers of all utilities experienced a decrease in weighted average prices.

Pennsylvania Major Electric Utilities Commercial Weighted Average Revenue Per KWH 1988 – 1998 (cents/kwh)

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1988	7.16	7.13	6.77	7.60	7.46	10.49	7.12	4.93
1989	7.84	6.93	6.80	8.17	7.40	10.91	7.36	4.68
1990	8.68	7.07	6.83	8.02	7.59	11.75	7.20	4.85
1991	8.76	7.51	7.01	7.92	7.76	12.13	7.54	5.17
1992	8.89	7.62	7.11	8.00	7.89	12.48	7.79	5.27
1993	8.56	7.47	7.16	7.87	7.83	11.78	7.28	5.53
1994	8.50	7.37	7.34	7.78	7.78	11.58	7.29	5.72
1995	8.42	7.59	7.31	7.74	7.73	11.74	7.47	5.93
1996	8.28	7.86	7.48	7.72	7.84	11.56	7.85	5.72
1997	8.23	8.06	7.71	7.79	7.81	11.66	8.06	5.83
1998	8.03	7.84	7.41	7.41	7.78	11.17	8.00	5.88
% Change								
Nominal	12.2	10.0	9.4	-2.5	4.3	6.5	12.3	19.3
*Real	-20.9	-22.5	-22.9	-31.3	-26.4	-24.9	-20.8	-15.8

* Adjusted for inflation to 1998 dollars

LEGEND

DQSN Duquesne Light Co.
 MET-ED Metropolitan Edison Co.
 PNLC Pennsylvania Electric Company
 PPC Pennsylvania Power Co.
 PPL Pennsylvania Power & Light Co.
 PECO PECO Energy Co.
 UGI UGI Utilities Inc.
 WPP West Penn Power Co.

Industrial Electricity Prices

The weighted average price of electricity to Pennsylvania’s industrial customers increased three percent over the 11-year period, rising from 5.52 cents/kwh in 1988 to 5.69 cents/kwh in 1998. In real terms (adjusted for inflation to 1998 dollars), the weighted average price declined by 27 percent.

The table below compares the average industrial prices of the eight major electric utilities for the period. In real terms, the industrial customers of the companies studied experienced a decrease in weighted average prices.

**Pennsylvania Major Electric Utilities Industrial Weighted Average Revenue Per KWH
1988 – 1998
(cents/kwh)**

	DQSN	MET-ED	PNLC	PPC	PPL	PECO	UGI	WPP
1988	5.20	5.46	4.64	4.60	5.64	6.60	6.04	3.79
1989	6.20	5.31	4.68	5.01	5.60	7.06	6.28	3.61
1990	6.16	5.50	4.66	4.93	5.78	7.53	6.04	3.77
1991	6.42	5.96	4.99	4.82	5.98	7.91	6.39	4.14
1992	6.40	5.95	5.08	4.91	5.98	7.76	6.65	4.16
1993	6.13	5.67	5.22	5.10	5.74	7.31	6.11	4.35
1994	5.93	5.56	5.34	4.99	5.51	7.21	6.06	4.45
1995	5.94	5.76	5.32	4.76	5.45	7.18	6.40	4.54
1996	5.77	6.03	5.45	4.82	5.54	7.24	6.53	4.45
1997	5.45	6.16	5.52	4.98	5.49	7.18	6.69	4.38
1998	5.36	5.85	5.27	5.00	5.50	6.69	6.65	4.32
% Change								
Nominal	3.0	7.1	13.6	8.8	-2.4	1.4	10.2	13.9
*Real	-27.4	-24.5	-19.9	-23.3	-31.2	-28.5	-22.3	-19.7

* Adjusted for inflation to 1998 dollars

LEGEND

- DQSN Duquesne Light Co.
- MET-ED Metropolitan Edison Co.
- PNLC Pennsylvania Electric Company
- PPC Pennsylvania Power Co.
- PPL Pennsylvania Power & Light Co.
- PECO PECO Energy Co.
- UGI UGI Utilities Inc.
- WPP West Penn Power Co.

BUREAU OF FIXED UTILITY SERVICES

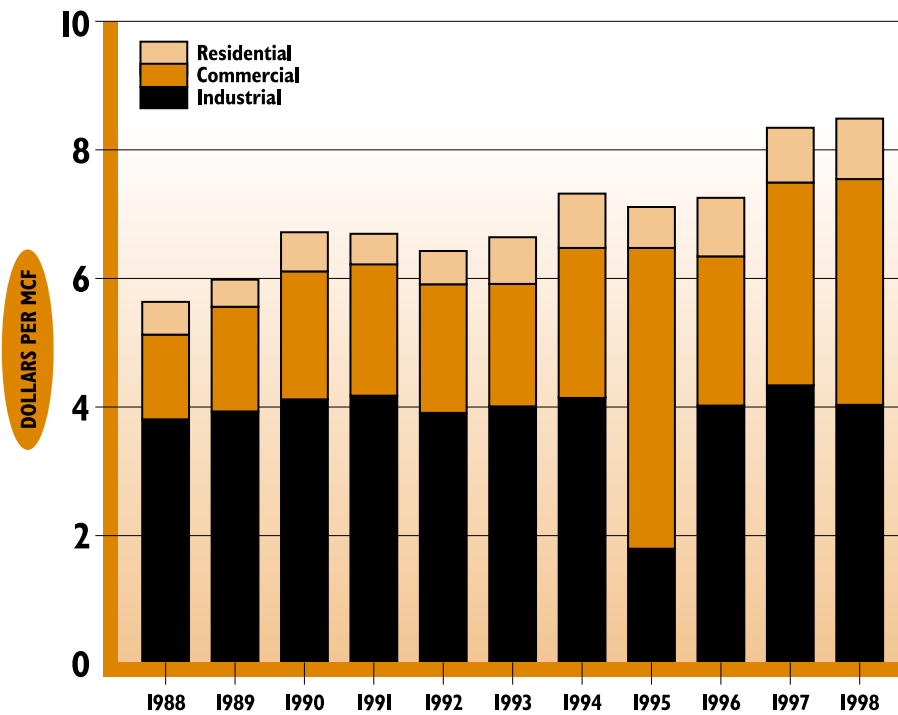
Comparative Gas Prices

This section provides data on residential, commercial and industrial gas revenue per thousand cubic feet (mcf) and the revenue derived from gas transportation service (which excludes the consumer's cost of gas) within the Commonwealth for the period 1988 through 1998. All revenue per mcf provided is in dollars per mcf and represents a weighted average.

The study presents nominal and real revenue per mcf. Nominal revenue per mcf is shown in current dollars (i.e., not adjusted for inflation), and real revenue per mcf reflects inflation and is the product of nominal revenue per mcf and the implicit price deflator for the Gross National Product. The study is based on data from the annual reports filed with the Commission by the major gas utilities within Pennsylvania.

Overview of Pennsylvania Gas Revenue Per mcf

The graph below presents the Pennsylvania weighted average revenue per mcf to residential, commercial and industrial customers from 1988 to 1998. The residential weighted average revenue per mcf increased from \$5.60 to \$8.47, representing an increase of 51 percent in nominal terms or a increase of 6.7 percent in real terms. The commercial weighted average revenue per mcf increased from \$5.14 to \$7.54 representing an increase of 47 percent in nominal terms or a 3.5 percent increase in real terms. Industrial weighted average revenue per mcf increased from \$3.80 to \$4.04. This represents an increase of 6.2 percent in nominal terms or a 25 percent decrease in real terms. These data are presented in more detail for each customer class in subsequent sections.



% Change

	RES.	COMM.	IND.
Nominal	51.3	46.8	6.2
Real	6.7	3.5	-25.1

Residential Gas Revenue Per mcf

The weighted average residential revenue per mcf increased 51 percent over the 1988-1998 period, rising from \$5.60 in 1988 to \$8.47 in 1998. In real terms (adjusted for inflation to 1997 dollars), the weighted average revenue per mcf increased 6.7 percent.

The table below compares the weighted average residential revenue per mcf of the 10 major gas utilities in Pennsylvania for the period. In nominal terms, Carnegie Natural Gas Company's weighted average residential revenue per mcf rose the fastest at 122 percent over the period. In real terms, residential customers of all but two companies experienced increases in weighted average residential revenue per mcf.

**Pennsylvania Major Gas Utilities Nominal Weighted Average Residential Revenue Per MCF
1988 – 1998*
(dollars/mcf)**

	CRNG	CLMB	EQTBL	NFG	NoPNN	PG En	PEPLS	PECO	PHLPS	UGI
1988	4.15	5.51	5.50	4.92	5.23	5.62	5.38	6.57	4.23	6.47
1989	5.42	5.52	6.52	5.62	5.62	5.99	5.51	7.07	4.40	6.55
1990	5.77	6.14	7.25	6.07	5.82	5.38	6.25	7.94	4.76	6.89
1991	6.07	6.42	8.15	5.98	5.96	5.79	6.18	7.52	5.27	7.41
1992	6.72	6.31	8.06	5.74	5.63	5.03	6.01	6.92	5.12	7.09
1993	7.50	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	7.67	6.96	8.93	7.27	7.40	6.17	7.03	7.48	5.01	7.86
1995	9.35	6.78	9.25	6.81	5.84	5.92	6.59	7.66	5.22	7.48
1996	10.78	6.93	9.06	6.87	6.44	5.44	7.27	6.98	6.11	8.55
1997	8.91	7.98	10.43	7.85	7.83	7.21	8.23	8.18	6.65	9.15
1998	9.22	7.92	10.55	8.15	8.43	7.19	8.11	8.47	6.99	9.37
% Change										
Nominal	122.2	43.7	91.7	65.7	61.1	27.9	50.7	29.0	65.4	44.8
**Real	56.7	1.4	35.2	16.9	13.6	-9.8	6.3	-9.0	16.6	2.1

* Calculated from annual reports

** Adjusted for inflation to 1998 dollars

LEGEND

- CRNG Carnegie Natural Gas Co.
- CLMB Columbia Gas of Pennsylvania, Inc.
- EQTBL Equitable Gas Company
- NFG National Fuel Gas Distribution Corporation
- NoPNN North Penn Gas Co – Units reported in dth*
- PG En PG Energy
- PEPLS Peoples Natural Gas Company
- PECO PECO Energy Company
- PHLPS T.W. Phillips Gas and Oil Company
- UGI UGI Utilities, Inc.

* decatherm

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Commercial Gas Revenue Per mcf

Over the 1988-1998 period, the weighted average commercial revenue per mcf increased 47 percent, going from \$5.14 in 1988 to \$7.54 in 1998. In real terms (adjusted for inflation to 1998 dollars), the weighted average revenue per mcf increased 3.5 percent.

The table below compares the weighted average commercial revenue per mcf of the 10 major gas utilities in Pennsylvania for the period. Carnegie Gas Company had the highest rate of increase at 121 percent in nominal terms. In real terms, commercial customers of four of the companies experienced decreases over the period.

Pennsylvania Major Gas Utilities Nominal Weighted Average Commercial Revenue Per mcf 1988 – 1998* (dollars/mcf)

	CRNG	CLMB	EQTBL	NFG	NoPNN	PGE _n	PEPLS	PECO	PHLPS	UGI
1988	3.86	5.26	4.55	4.50	4.43	5.32	5.03	5.71	4.10	5.73
1989	4.94	5.35	5.50	5.17	4.89	5.78	5.22	6.04	4.14	5.83
1990	5.26	5.85	6.57	5.70	5.07	5.28	5.99	7.04	4.40	6.18
1991	5.61	5.89	7.48	5.49	5.28	5.63	5.97	6.65	4.59	6.71
1992	6.21	5.63	7.30	5.25	4.99	4.90	5.94	6.08	4.39	6.48
1993	7.50	6.22	8.20	6.36	6.86	5.54	6.46	6.82	5.01	7.18
1994	7.52	6.14	6.95	6.83	6.80	6.11	6.82	6.48	4.55	7.15
1995	8.81	5.87	9.04	6.42	5.19	5.73	6.13	6.70	4.59	6.64
1996	10.15	5.86	6.44	6.56	5.83	5.44	6.71	6.21	5.08	7.75
1997	8.21	6.97	10.29	7.52	7.07	6.67	7.80	7.41	5.54	8.30
1998	8.55	7.16	10.38	7.86	7.63	6.48	7.48	7.55	5.78	8.34
% Change										
Nominal	121.4	36.1	128.1	74.6	72.3	21.9	48.7	32.1	40.9	45.6
**Real	56.2	-4.0	60.9	23.1	21.5	-14.0	4.8	-6.8	-0.7	2.7

* Calculated from annual reports

** Adjusted for inflation to 1998 dollars

LEGEND

CRNG Carnegie Natural Gas Co.

CLMB Columbia Gas of Pennsylvania, Inc.

EQTBL Equitable Gas Company

NFG National Fuel Gas Distribution Corporation

NoPNN North Penn Gas Co – Units reported in dth*

PGE_n PG Energy

PEPLS Peoples Natural Gas Company

PECO PECO Energy Company

PHLPS T.W. Phillips Gas and Oil Company

UGI UGI Utilities, Inc.

* decatherm

Industrial Gas Revenue Per mcf

The weighted average industrial revenue per mcf increased 6.2 percent over the 1988–1998 period, going from \$3.80 to \$4.04. In real terms (adjusted for inflation to 1998 dollars), the weighted average revenue per mcf decreased 25 percent.

It should be noted that quantities of gas which are only transported, and the associated revenues, are not included in these data. The popularity of transportation service is not necessarily uniform from one utility to another and, therefore, revenue per mcf comparisons within this customer class may be somewhat distorted.

**Pennsylvania Major Gas Utilities Nominal Weighted Average Industrial Revenue Per mcf
1988 – 1998*
(dollars/mcf)**

	CRNG	CLMB	EQTBL	NFG	NoPNN	PGEn	PEPLS	PECO	PHLPS	UGI
1988	3.04	8.11	3.96	3.56	3.49	3.92	3.99	5.59	3.00	4.45
1989	3.72	8.23	4.50	5.70	3.84	4.31	3.80	3.38	3.13	4.52
1990	3.49	9.56	5.37	5.64	4.17	4.28	3.81	4.14	3.20	4.84
1991	2.74	6.93	6.34	5.46	4.40	4.25	4.88	4.11	3.27	5.00
1992	2.34	4.25	6.25	5.01	3.79	3.45	4.89	4.80	3.13	4.78
1993	3.09	4.25	5.25	6.27	5.57	3.77	3.54	4.37	2.92	4.99
1994	3.10	5.21	4.14	6.77	6.07	4.83	5.62	5.44	2.75	5.33
1995	7.12	4.88	5.91	6.73	4.24	4.39	3.32	0.51	2.59	4.40
1996	9.81	5.50	3.93	5.44	4.48	4.43	3.41	4.45	2.98	5.73
1997	6.27	5.82	9.64	7.24	5.25	5.48	4.51	5.28	3.28	6.35
1998	-1.11	5.22	9.53	8.34	5.27	4.45	5.98	5.38	3.28	6.25
% Change										
Nominal	-136.4	-35.6	140.7	134.3	51.1	13.4	49.8	-3.8	9.3	40.3
**Real	-125.7	-54.6	69.8	65.2	6.6	-20.0	5.7	-32.1	-22.9	-1.0

* Calculated from annual reports

** Adjusted for inflation to 1998 dollars

LEGEND

- CRNG Carnegie Natural Gas Co.
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- NoPNN North Penn Gas Co – Units reported in dth*
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- PECO PECO Energy Company
- PHLPS T.W. Phillips Gas and Oil Company
- UGI UGI Utilities, Inc.

* decatherm

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Gas Transportation Revenue Per mcf

The numbers in this section reflect the transportation of gas only and do not include the customers' cost of gas, which is purchased from other suppliers. Transportation has become increasingly important, but not necessarily uniform from one utility to another. The lack of uniformity may cause distortion in revenue per mcf comparisons within this customer class.

The table below compares the weighted average revenue per mcf of gas transportation of the 10 major gas utilities for the period. In nominal terms, Equitable Gas Company had the highest rate of increase at 313 percent. In real terms, Carnegie, North Penn and PECO had a decrease in weighted average transportation revenue per mcf.

Pennsylvania Major Gas Utilities Nominal Weighted Average Transportation Revenue Per mcf 1988 – 1998* (dollars/mcf)

	CRNG	CLMB	EQTBL	NFG	NoPNN	PGE _n	PEPLS	PECO	PHLPS	UGI
1988	0.271	0.400	0.582	0.610	0.692	0.373	0.570	0.489	0.817	0.871
1989	0.654	0.358	0.697	0.461	0.699	0.374	0.490	0.491	0.820	0.839
1990	0.673	0.492	0.732	0.483	0.650	0.468	0.691	0.544	0.764	0.959
1991	0.204	0.590	1.042	0.456	0.764	0.477	0.811	0.593	0.626	1.040
1992	0.170	0.540	1.370	0.500	0.780	0.500	0.900	0.590	0.620	1.070
1993	0.275	0.500	1.500	0.610	0.760	0.519	0.950	0.600	0.260	0.922
1994	0.410	0.540	2.530	0.780	0.680	0.500	0.990	0.480	0.260	1.110
1995	0.040	0.580	1.970	0.250	0.640	0.520	1.080	0.560	N/A	1.150
1996	0.053	0.633	1.834	0.801	0.650	0.706	1.167	0.678	N/A	1.251
1997	0.243	0.780	1.918	0.899	0.706	0.000	1.450	0.621	N/A	1.378
1998	0.300	0.946	2.406	1.150	0.797	0.496	1.901	0.688	N/A	1.350
% Change										
Nominal	10.7	136.6	313.5	88.6	15.2	33.1	233.5	40.7	-100.0	55.0
**Real	-21.9	66.9	191.6	33.0	-18.8	-6.2	135.2	-0.8	-100.0	9.3

* Calculated from annual reports

** Adjusted for inflation to 1998 dollars

LEGEND

CRNG Carnegie Natural Gas Co.
 CLMB Columbia Gas of Pennsylvania, Inc.
 EQTBL Equitable Gas Company
 NFG National Fuel Gas Distribution Corporation
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 UGI UGI Utilities, Inc.

* decatherm

Comparative Telephone Revenue Per Local Access Line

This section analyzes annual revenues per local telephone access line in the Commonwealth for the period 1988 through 1998. The study is based on data for six major telephone companies.

The study represents nominal and real revenues. Real revenues reflect inflation and are the product of nominal revenue and the implicit price deflector for the Gross National Product.

“Weighted Average Revenue Per Local Access Line” is calculated as the sum of the local operating revenues of the utilities divided by the sum of the total access lines

in service, including both residential and business customers. Revenue per local access line, therefore, represents the weighted average amount of local charges paid, per line, by subscribers.

The weighted average annual revenue per access line increased 16 percent during the period, going from \$224.31 to \$259.64. In real terms (adjusted for inflation to 1998 dollars), the customer cost of local service dropped 18 percent.

The table below compares the weighted average revenue per access line for local telephone service of the six major telephone utilities. In real terms, the weighted average revenue per access line for all companies decreased.

Pennsylvania Major Telephone Utilities Weighted Average Revenue Per Local Access Line 1988 – 1998 (dollars/access line)

	ALLTEL	BELL	CONEST	COMMON	GTE N	UNTD	AVG. PRICE NOMINAL
1988	226.17	237.52	131.72	101.64	215.77	185.57	224.31
1989	223.78	237.29	134.73	103.73	226.55	193.45	228.54
1990	221.20	244.62	122.19	105.26	230.66	199.77	234.24
1991	218.64	246.77	129.70	111.74	234.97	203.62	237.34
1992	215.07	247.88	133.93	108.54	235.03	211.95	238.09
1993	188.15	254.21	138.65	111.88	237.18	191.14	242.67
1994	192.52	264.03	134.46	110.38	232.77	202.11	250.43
1995	195.89	265.95	117.25	130.50	226.97	210.58	252.14
1996	209.30	271.79	119.61	133.29	222.53	220.74	257.25
1997	227.00	274.87	119.82	135.89	221.25	232.29	260.51
1998	236.18	271.53	135.98	143.61	230.70	236.50	259.64
% Change							
Nominal	4.4	14.3	3.2	41.3	6.9	27.4	15.8
*Real	-26.4	-19.4	-27.2	-0.4	-24.6	-10.1	-18.4

* Adjusted for inflation to 1998 dollars

LEGEND

- ALLTEL ALLTEL of Pennsylvania
- BELL Bell-Atlantic – Pennsylvania
- CONEST Conestoga Telephone & Telegraph Co.
- COMMON Commonwealth Telephone Company
- GTE N GTE North, Inc.
- UNTD United Telephone Company of Pa.

BUREAU OF FIXED UTILITY SERVICES

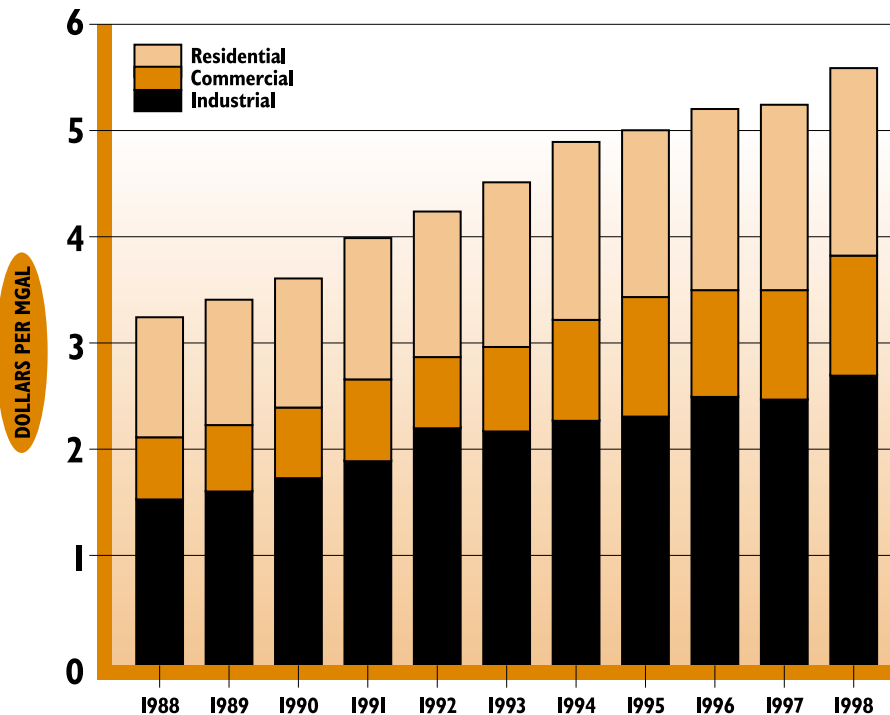
Comparative Water Revenue Per Thousand Gallons

This section provides data on residential, commercial and industrial water revenue per MGal (one thousand gallons) within the Commonwealth for the years 1988 through 1998. All data represent a weighted average.

The study presents nominal and real revenue per MGal. Real revenue per MGal reflects inflation and is the product of nominal revenue per MGal and the implicit price deflator for the Gross National Product. The study is based on the data from the annual reports filed with the Commission by the major water utilities.

Overview of Pennsylvania Water Revenue Per MGal

The graph below presents the Pennsylvania weighted average revenue per MGal to residential, commercial and industrial customers during the period. The residential customer's weighted average revenue per MGal increased from \$3.22 to \$5.61 representing an increase of 74 percent in nominal terms, or 23 percent in real terms. For commercial customers, the revenue per MGal over the period went from \$2.12 to \$3.82, representing an increase of 80 percent in nominal terms, or 27 percent in real terms. Industrial customers saw the weighted average revenue per MGal increase from \$1.51 to \$2.68. This represents an increase of 77 percent in nominal terms, or 25 percent in real terms. These data are presented in more detail for each customer class in subsequent sections.



% Change

	RES.	COMM.	IND.
Nominal	74.3	80.3	77.2
Real	22.9	27.2	25.0

Residential Water Revenue Per MGal

The weighted average residential revenue per MGal of water increased 74 percent from 1988–1998, going from \$3.22 to \$5.61. In real terms (adjusted for inflation to 1998 dollars, the increase was 23 percent.

The table below compares the average residential revenue per MGal of the four major companies for the period. In nominal terms, Pa.-American Water Co. revenues per MGal rose fastest at 70 percent, while York Water’s was slowest at 29 percent. In real terms, the residential customers of York Water experienced a decrease of nine percent in weighted average revenue per MGal.

**Pennsylvania Major Water Utilities Nominal Weighted Average Residential Revenue Prices
1988 – 1998
(dollars/1,000 gallons)**

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1988	3.46	3.72	2.87	3.07
1989	3.47	3.95	3.04	3.18
1990	3.51	4.11	3.36	3.20
1991	3.50	4.57	3.47	3.30
1992	3.70	4.72	3.66	3.49
1993	3.87	5.09	3.96	3.60
1994	4.80	5.28	4.20	3.63
1995	4.85	5.47	4.47	3.80
1996	4.93	5.76	4.50	3.86
1997	4.84	5.77	4.64	3.97
1998	5.46	6.34	4.83	3.96
% Change				
Nominal	57.7	70.4	68.3	29.0
*Real	11.2	20.2	18.7	-9.0

* Adjusted for inflation to 1998 dollars

LEGEND

- UTD-PA United Water of Pennsylvania
- PA-AMER Pennsylvania-American Water Co.
- PHIL-SUB. Philadelphia Suburban Water Co.
- YORK York Water Company

BUREAU OF FIXED UTILITY SERVICES

Commercial Water Revenue Per MGal

The weighted average revenue per MGal of water to Pennsylvania's commercial customers increased 80 percent from 1988 to 1998, going from \$2.12 to \$3.82. In real terms (adjusted for inflation to 1998 dollars), the weighted average revenue per MGal increased 27 percent.

The table below compares the weighted average commercial revenue per MGal of the four major water companies for the period. PAWC had the highest rate of increase at 79 percent in nominal terms. In real terms (adjusted for inflation to 1998 dollars), the commercial customers of York Water experienced a decrease of 14 percent.

Pennsylvania Major Water Utilities Nominal Weighted Average Commercial Prices 1988 – 1998 (dollars/1,000 gallons)

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1988	2.44	2.44	2.01	1.73
1989	2.42	2.62	2.16	1.37
1990	2.52	2.79	2.36	1.41
1991	2.55	3.06	2.46	1.84
1992	2.69	3.21	2.62	1.93
1993	2.81	3.36	2.68	1.95
1994	3.12	3.44	2.95	2.00
1995	3.32	3.60	3.03	2.02
1996	3.40	3.84	3.27	2.05
1997	3.44	3.89	3.19	2.14
1998	3.81	4.36	3.44	2.11
% Change				
Nominal	56.2	78.7	71.3	22.2
*Real	10.2	26.0	20.8	-13.8

* Adjusted for inflation to 1998 dollars

LEGEND

UTD-PA United Water of Pennsylvania
 PA-AMER Pennsylvania-American Water Co.
 PHIL-SUB Philadelphia Suburban Water Co.
 YORK York Water Company

Industrial Water Revenue Per MGal

The weighted average revenue per MGal of water to Pennsylvania’s industrial customers increased 77 percent from 1988-1998, going from \$1.51 to \$2.68. In real terms (adjusted for inflation to 1998 dollars), the weighted average revenue per MGal increased 25 percent.

The table below compares the average industrial revenue per MGal of the four major water utilities for the period. Pa.-American had the highest rate of increase at 73 percent in nominal terms. In real terms, industrial customers of United-Pa. experienced a decrease of 18 percent.

**Pennsylvania Major Water Utilities Nominal Weighted Average Industrial Prices
1988 – 1998
(dollars/1,000 gallons)**

	UTD-PA	PA-AMER	PHIL-SUB	YORK
1988	1.90	1.74	1.77	0.91
1989	1.92	1.69	1.87	1.24
1990	2.03	1.83	2.05	1.24
1991	2.03	2.09	2.15	1.00
1992	2.14	2.17	2.24	1.04
1993	2.26	2.36	2.29	1.10
1994	1.53	2.42	2.48	1.09
1995	1.89	2.57	2.62	1.15
1996	1.97	2.72	2.85	1.21
1997	2.03	2.78	2.25	1.35
1998	2.20	3.01	2.55	1.37
% Change				
Nominal	15.6	73.2	44.1	50.4
*Real	-18.5	22.1	1.6	6.0

* Adjusted for inflation to 1998 dollars

LEGEND

- UTD-PA United Water of Pennsylvania
- PA-AMER Pennsylvania-American Water Co.
- PHIL-SUB. Philadelphia Suburban Water Co.
- YORK York Water Company

Bohdan Pankiw Chief Counsel

The Law Bureau provides legal support to other Commission bureaus and the Commission directly on regulatory matters involving fixed utilities and common carriers. Law Bureau attorneys represent the Commission in all appellate and original jurisdiction actions before state and federal courts. Enforcement in fixed utility service cases is also a Law Bureau responsibility.

The Bureau has been delegated prosecutory authority to initiate non-rate proceedings that are prosecutory in nature, by complaint or other appropriate means, on behalf of the Bureau of Consumer Services, the Bureau of Fixed Utility Services, the Bureau of Conservation, Economics and Energy Planning, the Bureau of Audits, the Bureau of Transportation and Safety (fixed utility service matters) and on behalf of itself for matters arising from formal investigations. Law Bureau attorneys may also fulfill a prosecutory role in Commission proceedings involving eminent domain, siting and service issues having no impact on rates.

The Commission has authorized the Law Bureau to intervene in cases before federal forums in which communications and energy related issues affecting Pennsylvania are decided. It surveys issues and proceedings before federal agencies, courts and the Congress with the aim of formulating appropriate Commission input when public utility issues arise.

Highlights

Electric Restructuring Settlements

The Law Bureau provided legal, drafting and strategy support to Chairman Quain, Commissioner Brownell and Commissioner Wilson in the electric restructuring settlement talks. These efforts resulted in the successful settlement of the following cases: PECO Energy Co. on May 14, 1998; Pennsylvania Power and Light Co. on August 27, 1998; GPU Energy (Met Ed and Penelec) on October 20, 1998; and West Penn Power Co. on November 19, 1998, which, in turn, result in the elimination of 53 state and federal actions.

Electric Restructuring Compliance Activities

The Law Bureau assisted in implementing retail electric choice by drafting numerous orders and secretarial let-

ters designed to facilitate a smooth transition process and to ensure compliance with various aspects of the restructuring decisions. Among the topics included in these efforts were enrollment and supplier selection procedures; interim codes of conduct; electronic data exchange standards; guidelines governing the marketing of provider of last resort functions by electric distribution companies; and the enforcement of Commission regulations relating to standards for changing an electric supplier and for disclosing necessary pricing information to consumers.

Installed Capacity Prices in Pennsylvania-New Jersey-Maryland Interconnection (PJM)

The Law Bureau drafted an Interim Order adopted September 17, 1998, directing PJM-related electric utilities in Pennsylvania to immediately release for sale installed capacity at the \$19.72 per KWY assumed in establishing their stranded costs. Following entry of that order and numerous appeals, the Commission entered into settlement discussions with PP&L, PECO and GPU each of which resulted in the execution of settlement agreements designed to ensure that installed capacity is available at reasonable prices to electric generation suppliers serving residential consumers.

Telecommunications — Area Code Matters

The Law Bureau provided legal advice in fashioning area code relief for the 717, 215/610 and 412 Numbering Plan Areas (NPA) consistent with Federal Communications Commission (FCC) directives. The Law Bureau also provided legal advice addressing claims of carriers averring the imminent exhaustion of NXX codes before implementation of the new 267 overlay in the 215 NPA. The Law Bureau assisted in the Commission litigation before the FCC and filed various comments before the FCC on behalf of the Commission. These included requesting additional authority to fashion timely area code relief in order to avoid costly overlays and addressing proposed rules requiring the efficient use of NXX codes by carriers. The Law Bureau continues to work with the telephone industry and North American Numbering Plan Administration in resolving area code problems.

Indianapolis Power and Light Company v. Pennsylvania Public Utility Commission.

On March 8, 1999, the U.S. Supreme Court announced that it had declined to hear the appeal of Indianapolis Power and Light Company (IPL) challenging the stranded cost provisions of the Customer Choice Act. IPL had appealed the Commission's May 1997 decision approving a qualified order for PECO Energy pursuant to Section 2812 of the Act. IPL sought to have the stranded cost recovery provisions of the Customer Choice Act declared unconstitutional. The Commonwealth Court affirmed the Commission's Order and the Pennsylvania Supreme Court subsequently refused to review that decision.

The U.S. Supreme Court's decision to deny certiorari effectively ends the litigation and allows the Commission's 1997 Securitization Order, as well as Commonwealth Court's decision affirming that Order, to stand. Therefore, the constitutionality of the stranded cost recovery provisions of the Customer Choice Act has been affirmed. The satisfactory resolution of this litigation has cleared the way for PECO Energy and other Pennsylvania companies obtaining stranded cost recovery or qualified rate orders to proceed with the securitization of stranded costs.

Total Gas & Electric, Inc. Slamming Investigation

On June 15, 1999, the Law Bureau and Bureau of Consumer Services entered into a settlement agreement with Total Gas & Electric, Inc. (TG&E) following an informal investigation of TG&E's marketing practices that was initiated in November 1998. The investigation examined whether TG&E enrolled electric customers without their knowledge or consent. The investigation also considered whether the marketing materials used by TG&E were confusing or misleading in any manner.

Commission staff concluded that TG&E's marketing materials were confusing and misleading, which resulted in numerous customers being switched to TG&E without their knowledge or consent. TG&E has implemented changes to its marketing materials and has agreed to pay a \$5,000 penalty, as well as paying restitution of \$100 to each residential customer that has been determined to have been switched to TG&E without his knowledge and consent.

Natural Gas Choice and Competition Act, Act 21-1999

On June 22, 1999, Governor Tom Ridge signed the Natural Gas Choice and Competition Act providing for retail gas customers to have the opportunity to choose their natural gas supplier. During the weeks preceding passage of the legislation, the Law Bureau participated in various meetings and prepared numerous analyses of draft language relating to issues, such as the impacts of the bill on utility employees and the inclusion of city natural gas operations under the Commission's jurisdiction. Additionally, before passage of the legislation, the Law Bureau assisted the Commission in preparing for prompt implementation of the provisions of the Act.

Immediately upon its passage, the Law Bureau drafted an outline of proposed filing requirements for the restructuring plans, held a meeting with the stakeholders to discuss those requirements and prepared a secretarial letter that was issued on June 30, 1999, setting forth proposed filing requirements. Also, the Law Bureau assisted the Bureau of Fixed Utility Services in drafting licensing standards for adoption by Tentative Order on June 24, 1999.

Y2K Review

The Law Bureau has established a Y2K team of assistant counsel to implement the Commission's Order adopted March 31, 1999, and entered April 8, 1999, which requires the review of some 400 plus utility responses concerning Y2K matters at docket I-00980076. This review is to determine utility compliance with the Commission's Order entered July 17, 1998, and to initiate enforcement action where the Law Bureau determines a utility has been noncompliant.

The Law Bureau, in accordance with the Commission's Order, has coordinated with the Secretary's Office and the Office of Administrative Law Judge as to the proper referral of potentially noncomplying utilities and their filed responses to the Law Bureau. The Law Bureau has further coordinated with the Bureau of Fixed Utility Services for technical review, where necessary. This effort has resulted in sending over 175 clarifying request letters and filing numerous complaints against non-responding utilities.

State Senator Vincent J. Fumo et al. v. Pa. PUC, No. 269 M.D. 1997 (B-973638, filed September 24, 1998)

This case was brought under the Commonwealth Court's original jurisdiction and represented a major challenge to the Electricity Generation Customer Choice and Competition Act, Chapter 28. The court held that the case should be dismissed with prejudice.

The court determined that all legislative enactments enjoy a presumption of constitutionality under the rules of statutory construction and decisions of the courts. The court then concluded that the members of the General Assembly were put on notice about the general

contents of the bill and were not misled by the title which laid out the general contents of the bill in accordance with Article III, Section 1. Furthermore, the court held that the mere fact that the bill that emerged from the committee encompassed more than one subject or was materially different, after the committee's consideration, from the bill originally sent to the committee, was not a clear constitutional violation. Thus, since there was no evidence of any clear violation of the Constitution, the court held that it would defer to the legislative judgment of the general Assembly and dismissed the Petition to Review.

Jim McNulty **Secretary**

All official actions and decisions are issued by the Secretary's Office. The Secretary is responsible for the acceptance of filings and the docketing, safekeeping, control, dissemination, retention and retrieval of all documents.

After formal Commission action, the Secretary is responsible for the service of all official actions. The Secretary's Bureau coordinates the development of the Commission's public meeting agenda, and the Secretary or Assistant Secretary sits at all formal public meetings of the Commission to ensure that the agenda is completed and that the minutes are properly recorded and subsequently maintained.

Highlights

- Served 10,507 documents, comprised of 1,471 Certificates of Public Convenience; 31 Securities Certificates; 355 Complaint Orders; 311 Rate Investigation Orders; 335 Transportation Orders; 107 Petition Orders; 752 Act 294 Orders; 7 Emergency Orders; 147 Miscellaneous Orders; 631 Fixed Utility Application Orders; 148 Investigation Orders; 20 Proposed Rulemaking Orders; 73 Affiliated Interest Agreements; 4,504 Secretarial Letters, 973 ALJ Decisions, and 642 Medallion documents.
- Processed 1,723 Reports and Orders for consideration at 25 Public Meetings.
- Received 6,656 new cases comprised of 1,450 Applications; 3,455 Formal Complaints and 1,751 Miscellaneous.
- Docketed 70,246 filings.
- Prepared 13,922 files to be microfilmed.

OFFICE OF SPECIAL ASSISTANTS

Cheryl Walker Davis Director

The Office of Special Assistants (OSA) provides technical and legal assistance to the Commissioners in all aspects of public utility regulation and enforcement. It is the coordinator of the preparation of final Commission orders. Duties include preparing final orders; reviewing Administrative Law Judge decisions; administering requests for extensions of time to file exceptions and/or reply exceptions to Initial Decisions; and reviewing petitions for rehearing, reconsideration, modification or clarification of final Commission orders.

Highlights

Rate Cases

PUC v. Manufacturers Water Company (R-00984275, Order entered February 12, 1999)

Manufacturers Water filed proposed changes designed to produce additional annual revenue of \$999,456.00, or 106.4 percent. The Commission granted an increase in revenues of \$620,750.00.

Electric

James Burton v. PECO Energy Company (F-00339578, Order entered September 23, 1998)

The Commission held that where a customer's dwelling is individually metered, even though there has been evidence of a "foreign load," that customer is responsible and otherwise obligated to pay a portion of the electricity consumed during the period of the alleged foreign load.

Mid-Atlantic Power Supply Association, et al. v. PECO Energy Company (P-00981615, C-00982011, C-00981846, C-00981862, Order entered May 19, 1999)

The Commission directed PECO to refrain from advertising its provider of last resort service, which created the impression of a competitive service. This matter was referred to the Office of Attorney General.

Gas

Enron Capital & Trade Resources Corporation v. The Peoples Natural Gas Company, (R-00973928C0001, Order entered August 24, 1998)

The Peoples Natural Gas Company filed a supplement to its tariff seeking to introduce a migration rider, a rate

mechanism. The rider provides for the recovery of experienced net over/under collection of purchased gas costs, as included in Peoples' Section 1307(f) mechanism, from ratepayers who shifted from retail service to transportation service on or after May 13, 1997. The rider would be applied to a ratepayer for one year from the date upon which a ratepayer last shifted from retail service to transportation service. Revenues recovered under the rider will be credited in the company's Section 1307(f) mechanism. Concluding that the rider was not unreasonably discriminatory or anti-competitive, the Commission approved Peoples' migration rider, as revised and dismissed Enron's complaint.

PUC et al. v. PG Energy, Inc. (R-00984353, Order entered December 3, 1998)

1307(f) filing.

James and Beth Nardelli v. Duquesne Light Company (Z-00426416, Order entered April 30, 1999)

This case discusses the effect of *Begley v. Philadelphia Electric Co.*, 760 F.2d 46 (3rd Cir., 1985), in an instance where the petitioner in bankruptcy, the Nardellis, converted from a Chapter 13 filing to a Chapter 7 filing. Duquesne took the position that the conversion of a debtor's case from one under Chapter 13 to Chapter 7 also changes the point at which the debtor's income is to be classified as pre-petition or post-petition. This is an area where the federal circuits have indeed been split. However, the guiding case in the Third Circuit is contrary to the position advanced by Duquesne. The Commission took the position, in accord with the ruling of the Third Circuit, that the date of the original filing of the petition in bankruptcy is the operative date for a determination of pre- and post-petition income.

Berwick Area YMCA v. PG Energy, Inc. (C-00981199, Order entered May 21, 1999)

The Commission held that PG Energy, Inc. successfully rebutted the complainant's prima facie case that had been established under the Waldron standard. The Commission concluded that PG Energy's successful rebuttal was due to several factors, including: (1) the meter had been recently tested as accurate; (2) the relevant building's current superintendent was not particularly familiar with the operation of its gas-fired boilers, and (3) the valves controlling the system were not shown to be secure from tampering.

Water

International Land Acquisitions, Inc. v. Pennsylvania American Water Company (C-00970463, Order entered April 9, 1999)

The key issue in this litigation was whether Pennsylvania American Water Company, in responding to International Land Acquisitions, Inc.'s request for water service, acted in consistency with its tariff provisions. The Commission determined that the Pa.-American had so acted and the Commission furthermore enunciated the well-established principle of law that the Commission has enforcement power over its tariffs and regulations, and matters which pertain to those tariffs are considered to be within the particular expertise of the Commission.

Telecommunications

Formal Investigation to Examine and Establish Updated Principles and Policies for Telecommunications Services in the Commonwealth (I-00940035)

Bell Atlantic-Pennsylvania, Inc. (P-00930715)

Approval of Bell's Biennial Update to Network Modernization Plan — Order accepting Bell's report, as filed.

Application of Nextlink Pennsylvania, L.L.P. (A-310260F0002, Order entered September 21, 1998)

Resolution of contested interconnection agreement issues after a protracted arbitration. Order entered July 15, 1998. Several issues subsequently re-raised in petition for reconsideration. Presently pending six unresolved issues and hotly contested request to return issues to mediation.

Applications of Vanguard for CLEC and CAP Authority in Rural Areas of the Commonwealth (A-310621, F0002 & F0003, Order entered April 8, 1999)

This order defines competitive access provider (CAP) service within the Commonwealth. This order also establishes the burden of proof for CLECs and CAPs seeking entry into rural areas of the Commonwealth. Specifically, these carriers need not prove the inadequacy of existing service or public need. A CLEC must, however, prove public necessity; but a CAP need not prove public necessity.

Petition of Citizens for §251(f)(1) Exemption and (f)(2) Suspensions Under TA-96 and Citizens

Chapter 30 and Network Modernization Petition (P-00971229, Order entered April 28, 1999, corrected April 30, 1999), and

Application of Armstrong for CLEC Authority in Citizens' Service Territory (A-310583, F0002 & F0004, Order entered April 28, 1999, corrected April 30, 1999)

This case defined "providing cable service" under section 251(f)(1) of TA-96. This case further refined the obligations and rights of rural ILECs and CLECs seeking entry via resale, interconnection, and facilities-based operations. Finally, the case addresses a rural ILEC's Chapter 30 obligations.

Objections of the Pennsylvania Telephone Association on Behalf of Its Members (M-00970994, M-00971031, Order entered May 6, 1999)

This matter involves an ongoing controversy over the proper classification of revenues for the purpose of computing annual assessments.

Petition of Global NAPs South, Inc. for Arbitration of Interconnection Rates, Terms, and Conditions and Related Relief (A-00310771, Order entered May 28, 1999)

Amended Application for Approval of an Interconnection Agreement and Request for Expedited Response of CCCPA, Inc., D/B/A Connect! (A-00310740, Order entered May 27, 1999)

Established expedited procedures for the most favored nations rights of CLECs under the Telecommunications Act of 1996.

These cases involved instances in which the incumbent local exchange carrier (ILEC) refused to permit a competitive local exchange company to "opt-in" to an approved interconnection agreement pursuant to Section 251 (I) of the federal Telecommunications Act of 1996. The Commission established an expedited procedure which provides that once a CLEC files this type of formal complaint, the ILEC has 10 days within which to file its answer. A hearing shall be conducted and an initial decision shall be issued within 20 days from the date of filing of the answer. The expedited hearing is limited to issues of whether the ILEC can show that there has been increased cost or technical unfeasibility since the negotiation of the previous interconnection agreement.

OFFICE OF SPECIAL ASSISTANTS

Telecommunication Interconnection/ Resale Proceedings

With Bell Atlantic-Pennsylvania, Inc.

Nextlink Pennsylvania, L.L.P.; A-310260F0002
CRG International, Inc., d/b/a Network One; A-310182F0003
North American Telecommunications Corporation; A-310624F0002
Nustar Communications Corporation; A-310699
CT Communications International, Inc., d/b/a C.C.I.; A-310701
Atlantic Telecom Corporation; A-310452F0002
Delaware Teligent, Inc.; A-310654F0002
Jerry LaQuiere, d/b/a LEC-Link; A-310678F0002
MGC Communications, Inc.; A-310727
COMAV Telco, Inc.; A-310730
Penn Telecom, Inc.; A-310074F0002
Alonge Regional Healthcare Communications Corp., d/b/a Health Group Telecommunications, Inc.; A-310515F0002
Access Network Services, Inc.; A-310342F0003
Business Telecom, Inc., d/b/a BTI; A-310092F0002
Conestoga Wireless Co.; A-310697
International Telephone Group; A-310395F0002
Telephone Company of Central Florida, d/b/a TCCF; A-310638F0002
Accelerated Connections, Inc.; A-310698F0002
National Telephone Exchange, Inc.; A-310130F0002
Spartan Debt Services; A-310637
Nextel Communications of the Mid-Atlantic, Inc. and Nextel West Corp.; A-310545
Phillieco., Inc.; A-310567
Amro Cellular Corp., d/b/a Cellularone of Fayette and Greene Counties; A-310608
Aerial Communications, Inc.; A-310663
Blue Ribbon Rentals, Inc., d/b/a Local Line America; A-310442
Keystone Kalling, Inc.; A-310711

EZ Talk Communications; A-310691
Momentum Telecom, Inc.; A-310764
Sterling International Funding, Inc., d/b/a Reconex; A-310593
United States Telecommunications, Inc.; A-310684F0002
Tel-Link, LLC; A-310622
ACC National Telecom Corp., d/b/a ACC Telecom; A-310594
NET-TEL Communications; A-310464F0002
DIECA Communications, Inc., d/b/a COVAD Communications Co.; A-310696F0002
Maw Communications, Inc.; A-310623F0002
Northpoint Communications, Inc.; A-310692
Paging Network of Philadelphia, Inc.; A-330645
MJD Telechoice Corp.; A-310725F0002
Conestoga Communications; A-310059F0002
Focal Communications Corporation; A-310640F0002
US Mobile Services, Inc.; A-310577F0002
Talk Time Communications, Ltd.; A-310704
Echo Communications; A-310707F0002
Megatel Corporation; A-310729
Network Telecom Exchange Corp.; A-310642
Frontier Local Services, Inc.; A-310703
Globaline Telecommunications, Inc.; A-310785
Ernest Communications, Inc.; A-310749F0002
Preferred Carrier Services, Inc., d/b/a Phones for All Telephonos Para Todos; A310403F0002
CTC Communications Corp.; A-310403F0002
ICG Telecom Group, Inc.; A-310687F0002
GTE Communications Corp.; A-310291F0002
Full Service Computing Corp.; A-310204F0002
Paetec Communications; A-310743F0002
Level 3 Communications, LLC; A-310633F0002
Service Electric Telephone Company; A-310651
Omnipoint Communications Enterprises, LP; A-310803
Choice One Communications, Inc.; A-310781F0002
AX Telecommunications, Inc.; A-310770F0002
Global NAPs South, Inc.; A-310771

CCCPA, Inc., d/b/a CONNECT!; A-310740

NOW Communications, Inc.; A-310806

Cellular Rentals, Inc.; A-310482

Dakota Services. LTD; A-310760F0002

Omnipoint Communications, Inc.; A-310830

SNiP Link, LLC; A-310820

With GTE North, Inc.

Capital Telecommunications, Inc.; A-310084F0002

Sterling International Funding, Inc., d/b/a Reconex; A-310593

GTE Communications Corporation; A-310291

USN Communications Atlantic, Inc.; A-310560F0002

Jerry LaQuiere; A-310678

Interactive Communications, Inc.; A-310705

Schuylkill Mobile Fone, Inc.; A-330850F0003

United States Telecommunications, Inc.; A-310684F0002

CTSI, Inc.; A-310510

MJD Telechoice Corp.; A-310725F0002

Omniplex Communications Group, LLC; A-310754F0002

360 Communications Company; A-310424F0002

Sygnnet Communications, Inc.; A-310597

dPi-Teleconnect, LLC; A-310804

Preferred Carrier Services, Inc.; A-310403F0002

Dakota Services. LTD; A-310760F0002

AX Telecommunications, Inc.; A-310770F0002

With Commonwealth Telephone Company

360 Communications Company; A-310424F0002

With Denver & Ephrata Telephone and Telegraph Co.

360 Communications Company; A-310424F0002

With North Pittsburgh Telephone Company

Sprint Spectrum L.P., d/b/a Sprint PCS; A-310513F0002

NEXTEL; A-310545

Competitive Local Exchange Carriers

The Commission approved applications of 58 companies to furnish local exchange telephone service within the Commonwealth.

The companies are:

Network Telecom Exchange, d/b/a NTX; Authorized September 22, 1998

Atlantic Telecom Corporation; Authorized September 22, 1998

Service Electric Telephone, Inc.; Authorized September 22, 1998

Omnical, Inc.; Authorized October 19, 1998

Frontier Telemanagement, Inc.; Authorized October 19, 1998

Hyperion Telecommunications of Erie, LLC; Authorized October 19, 1998

Eagle Communications, Inc., d/b/a Eagle Telco; Authorized November 2, 1998

Echo Communications; Authorized November 2, 1998

Penn Telecom, Inc.; Authorized November 23, 1998

Business Telecom, Inc., d/b/a BTI; Authorized November 23, 1998

National Telephone Exchange, Inc.; Authorized December 4, 1998

Spartan Debt Services; Authorized December 22, 1998

Keystone Kalling, Inc.; Authorized December 23, 1998

EZ Talk Communications; Authorized December 24, 1998

Momentum Telecom, Inc.; Authorized December 24, 1998

United States Telecommunications, Inc.; Authorized December 24, 1998

Tel-Link, LLC; Authorized December 24, 1998

ACC National Telecom Corp, d/b/a ACC Telecom; Authorized December 24, 1998

CCCPA, Inc., d/b/a Connect!; Authorized December 28, 1998

Totaltel, Inc.; Authorized December 28, 1998

Ironton Telephone Company; Authorized December 28, 1998

OFFICE OF SPECIAL ASSISTANTS

ACI Corporation, d/b/a Accelerated Connections, Inc.;
Authorized December 29, 1998

Helicon Telephone Pennsylvania, LLC; Authorized
January 22, 1999

NET-TEL Communications; Authorized January 22, 1999

DIECA Communications, Inc., d/b/a COVAD
Communications Co.; Authorized January 29, 1999

Network Paging Plus, Inc.; Authorized January 29, 1999

US Mobile Services, Inc.; Authorized January 29, 1999

D&E Systems, Inc.; Authorized January 29, 1999

Network Access Solutions, Inc.; Authorized February 17,
1999

Easy Cellular, Inc., d/b/a Easy Tel; Authorized February
17, 1999

AX Telecommunications, Inc.; Authorized February 17,
1999

Allegheny Hyperion Telecommunications, LLC;
Authorized February 17, 1999

Lenfest Telephony, Inc., d/b/a Suburban Telephony, Inc.;
Authorized February 17, 1999

Eriotel, Inc.; Authorized March 8, 1999

American Long Lines, Inc.; Authorized March 8, 1999

Paetec Communications, Inc.; Authorized March 8, 1999

X-Tel Communications, Inc.; Authorized March 8, 1999

MJD Telechoice Corp.; Authorized March 8, 1999

Z-Tel Communications, Inc.; Authorized March 8, 1999

Shared Network Users Group, Inc.; Authorized March 22,
1999

RCN Telecom Services of Philadelphia, Inc., d/b/a RCN of
Philadelphia; Authorized April 5, 1999

ICG Telecom Group, Inc.; Authorized April 5, 1999

NET2000 Group, Inc.; Authorized April 5, 1999

NOS Communications, Inc.; Authorized April 5, 1999

Southnet Telecomm Services, Inc.; Authorized April 5,
1999

Data Genie, Inc.; Authorized April 5, 1999

Vanguard Telecom Corp.; Authorized April 8, 1999

Level 3 Communications, LLC; Authorized April 9, 1999

State Communications, Inc.; Authorized May 4, 1999

Frontier Local Services, Inc.; Authorized May 4, 1999

Global NAPs South, Inc.; Authorized May 4, 1999

Allegiance Telecom of Pa., Inc.; Authorized May 4, 1999

Omniplex Communications Group, LLC; Authorized May
4, 1999

Affordable Phone Co.; Authorized May 14, 1999

Megsinet-CLEC, Inc.; Authorized May 14, 1999

Stargate Local Services; Authorized May 25, 1999

Choice One Communications of Pa., Inc.; Authorized
May 25, 1999

Ernest Communications, Inc.; Authorized May 26, 1999

Transportation

Pa. PUC, Bureau of T&S v. Penn Harris Taxi
(A-00002450C9801, Order entered September 28, 1998)

Section 510 of the Code, governing the payment of assessments, does not apply to assessments which are past due. The Commission's policy is that all assessments are to be paid on time. The burden is on the delinquent utility to demonstrate that there were extraordinary circumstances that prevented it from paying its assessment in a timely manner.

Pa. PUC v. Pittsburgh Limousine (A-00107834, Order entered October 6, 1998)

General proposition is that interlocutory review is to be used sparingly. However, the Petition for Interlocutory Review was granted herein when a party to the proceeding sought to impose on the Commission's legal staff the responsibility to provide the address of a former Commission employee.

Application of M.S. Carriers, Inc. (A-00110601, Order entered May 4, 1999)

The Certificate of Public Convenience of M.S. Carriers, Inc., was revoked pursuant to Section 510(c) of the Public Utility Code, 66 Pa. C.S. §510(c), relating to outstanding assessments. M.S. Carriers filed a Petition for Reinstatement requesting 30 days within which to pay all assessments. The Commission held that all outstanding assessments and/or fines must be paid at or prior to the filing of a Petition for Reinstatement.

Pa. PUC, Bureau of Transportation and Safety v. Barry J. Testa, t/a Hollywood Limousine Service, (A-00105306C9801, Order entered June 11, 1999)

The Commission enunciated that it is within the Commission's discretion to choose to impose a cease and desist order instead of a monetary penalty for violations of the Public Utility Code when the Commission determines that the facts and circumstances of a proceeding warrant such a cease a desist penalty.

Conrail Conway Yard Shove Lights (A-00112630, Order entered June 29, 1999)

This case established that a utility need not prove that its existing operations are "inordinately hazardous" or that proposed operations are safer by a "preponderance of substantial evidence." The utility's burden of proof is "to preponderate to the legally required extent." Further, this case cites grounds for reopening a record.

**George Mahan
Director**

The Bureau of Transportation and Safety is responsible for regulation of various aspects of railroad, gas, and motor carrier safety and service. The Bureau is comprised of four divisions: the Motor Carrier Services and Enforcement Division, the Rail Safety Division, the Gas Safety Division, and the Legal Division.

**Motor Carrier Services and Enforcement
Division**

The Motor Carrier Services and Enforcement Division is involved in all areas of motor carrier transportation regulation. The five District Offices located in Harrisburg, Philadelphia, Scranton, Altoona, and Pittsburgh ensure compliance of trucks, buses, taxis, and limousines with the Public Utility Code and Commission regulations through regular inspections and audits.

The Division's Compliance Office Technical Unit reviews the work of the district offices for violations and prepares informal and formal enforcement actions regarding motor carriers. This unit also processes all uncontested motor carrier applications. The Compliance Office's Insurance Filing Unit processes motor carrier tariff filings and ensures that all motor carriers operating in Pennsylvania maintain appropriate insurance.

Rail Safety Division

The Rail Safety Division is responsible for the administration and processing of formal and informal rail safety complaints and safety inspections for compliance with the Federal Railroad Administration's track, operating practice and freight car standards. In addition, the Division is responsible for rail crossing and bridge safety. An order of the Commission is required to construct, alter, relocate, suspend, or abolish a rail/highway

crossing. Currently, there are approximately 5,000 bridges and 7,500 grade crossings in the Commonwealth under Commission jurisdiction.

Additional responsibilities of the Rail Safety Division include review and approval of the acquisition of railroad property, the abandonment of branch lines, the abandonment and curtailment of passenger service, clearances (parallel track, overhead and side), changes in station status, grade crossing safety needs (proper installation and operation of flashing lights, gates and crossbucks), and the resolution of service complaints.

Gas Safety Division

The Gas Safety Division acts as an agent for the Office of Pipeline Safety, U.S. Department of Transportation. The Division inspects facilities and records of regulated gas companies to ensure compliance with state and federal requirements and investigates gas explosions. In addition, the Gas Safety Division receives meter certifications from all fixed utilities, i.e. gas, water, and electric, in Pennsylvania.

Legal Division

The Legal Division, in cooperation with the Motor Carrier Services and Enforcement Division, prosecutes motor carriers that violate Commission regulations in proceedings before the Commission. The Division also works closely with the Rail Safety Division in Commission proceedings presenting evidence necessary to promote safety and prevent accidents at rail-highway crossings.

In conjunction with the Commission's Law Bureau, the Legal Division represents the Commission in selected appeals and original jurisdiction actions. Finally, the Division suggests changes to provisions of the Public Utility Code and regulations based on changes in federal law and in response to requests from the Commissioners.

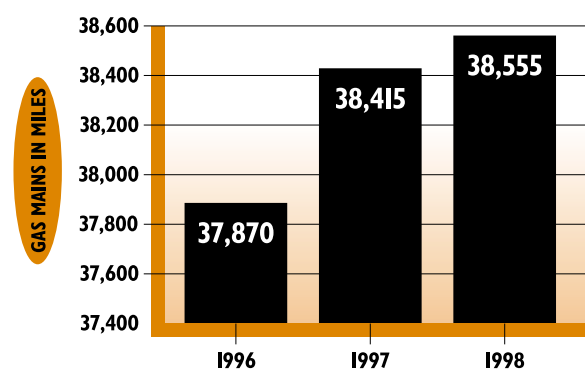
Highlights

Carriers Providing Transportation Service

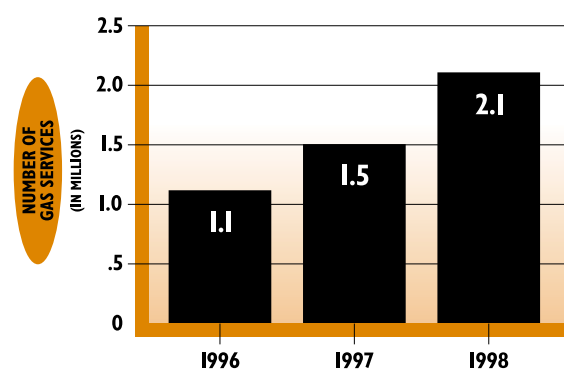
	6/30/95	6/30/96	6/30/97	6/30/98	6/30/99
Common Carriers					
Property	3,145	4,407	4,003	4,362	4,632
Taxi					
—Philadelphia	613	706	692	722	703
—Other	146	147	150	151	142
Limousine	314	322	314	324	322
Paratransit	168	178	174	196	190
Airport Transfer	77	72	73	78	81
Bus – Group & Party	219	224	226	228	250
Bus – Scheduled Route	96	95	94	92	87
Airplane	3	3	3	3	1
Boat	4	4	2	1	0
Freight Forwarder	0	0	0	0	0
Contract Carriers					
Property	0	0	0	0	0
Persons	9	8	10	8	8
Brokers					
Property	47	50	23	23	23
Persons	106	112	110	120	122
Household Goods Movers	327	410	393	388	357

Gas Safety Division

The following chart shows the mileage of installed natural gas mains as they have increased from 1996 to 1998 for the natural gas public utilities subject to the Commission's jurisdiction.



The chart below shows the number of installed natural gas service lines as they have increased from 1996 to 1998 for the natural gas public utilities subject to the Commission's jurisdiction.



BUREAU OF TRANSPORTATION AND SAFETY

The following table indicates the number of compliance inspections performed, informal complaints investigated,

and reportable and non-reportable gas incidents which occurred for each quarter of fiscal year 1998–99.

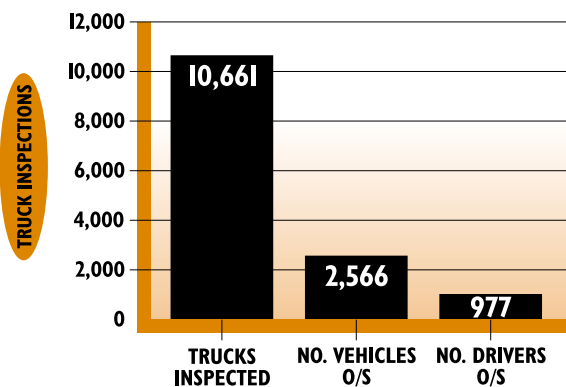
	1st QUARTER	2nd QUARTER	3rd QUARTER	4th QUARTER	FY TOTAL
Compliance Inspections	117	271	116	250	754
Reportable Incidents	3	0	3	0	6
Non-reportable Incidents	31	25	28	22	106
Informal Complaints	0	8	1	11	20

Motor Carrier Services and Enforcement Division

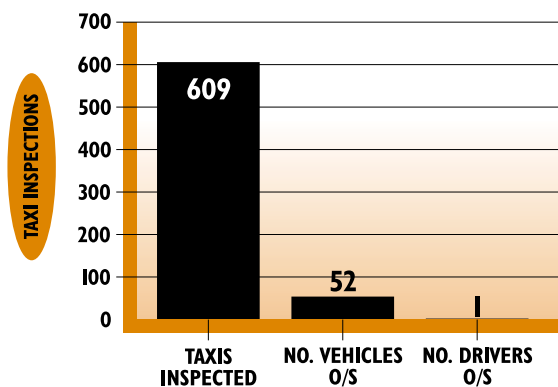
The Motor Carrier Services and Enforcement Division is responsible for the regulation of commercial property and passenger carriers within the Commonwealth. This includes the certification process for applicants, insurance monitoring, rate review and compliance, investiga-

tion of complaints, driver and vehicle safety inspections, new carrier safety fitness reviews, and compliance audits. The subsequent statistics highlight several of the Division's areas of responsibility.

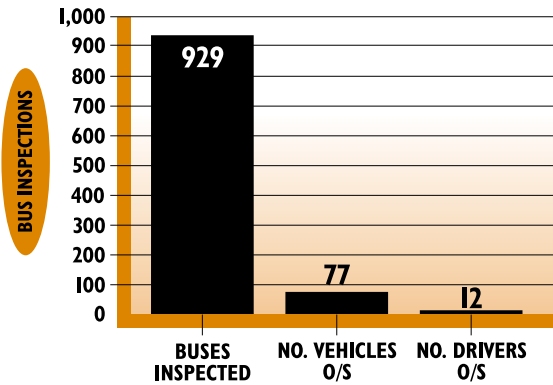
Truck Inspections. The statistics below state the number of truck inspections completed by the enforcement staff, as well as the number of vehicles and drivers placed out of service during the fiscal year's inspections.



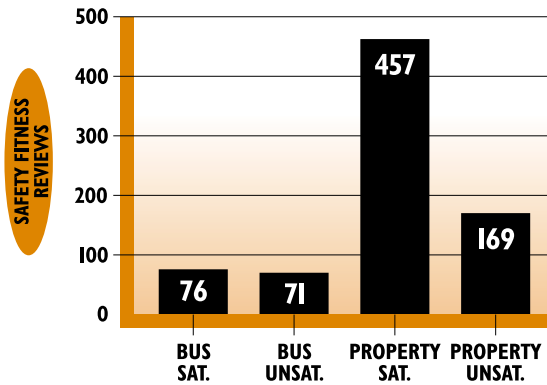
Non-Medallion Taxi Inspections. Much of the Division's oversight of taxicab transportation involves driver and vehicle inspections. During this fiscal year the enforcement staff completed terminal, random and repair verification inspections.



Bus Inspections. The statistics below state the number of bus inspections completed by the enforcement staff, as well as the the number of buses and drivers placed out of service during those inspections.

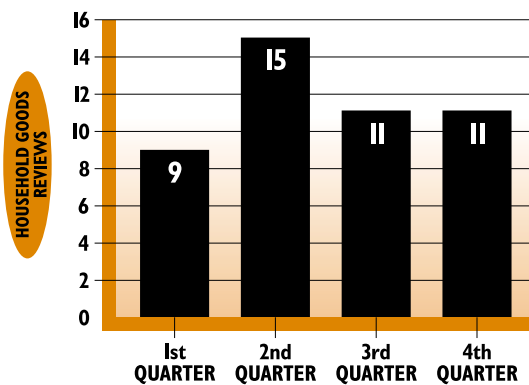
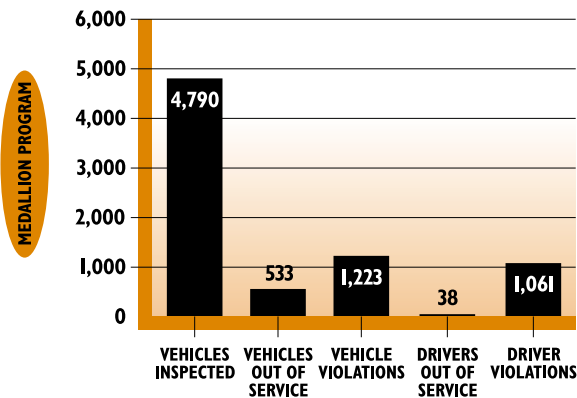


Safety Fitness Reviews. The Division conducts reviews with new property carriers and buses to ensure the carrier is prepared to meet the Commission's safety requirements. (The statistics below reflect only the carriers rated.)



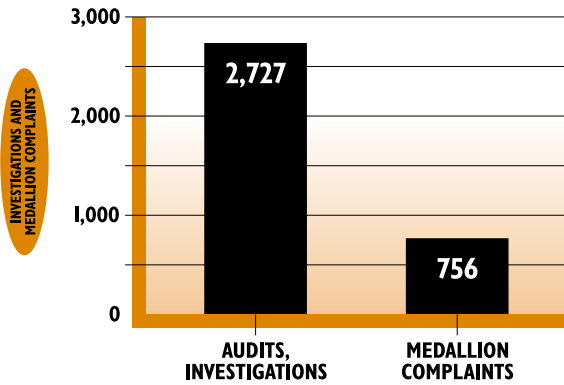
Philadelphia Medallion Taxicabs. The Division is responsible for oversight of Philadelphia taxicab carriers, their drivers and vehicles. The medallion system is unique to Philadelphia. Much of the taxi oversight involves driver/vehicle inspections which are reported in the statistics. (The statistics are based on the date entered in the database program.)

Household Goods Carrier Reviews. The Division's enforcement staff conducts a record review and rate verification with selected household goods carriers. This is followed by a mail survey with the carrier's customers to ensure service was satisfactory.

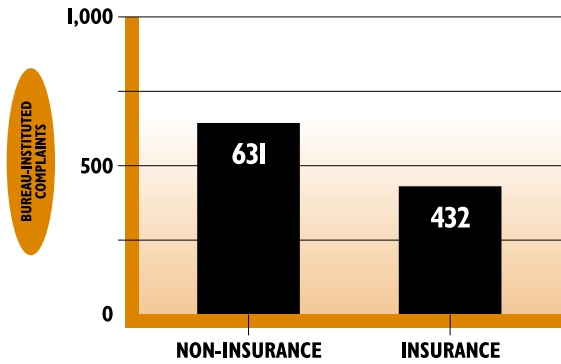


BUREAU OF TRANSPORTATION AND SAFETY

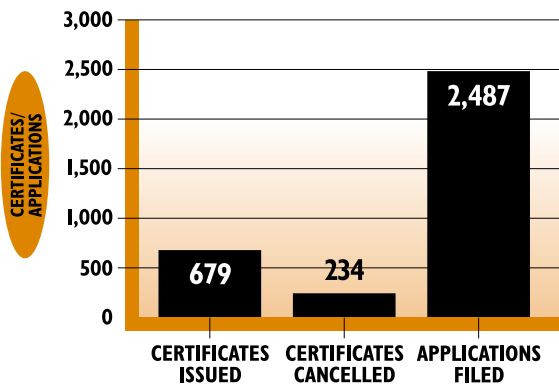
The Compliance Office reviews investigation reports of informal complaints and compliance audits completed by enforcement officers. Bureau instituted complaints may result from the review. In addition, the Compliance Office forwards complaints instituted by enforcement officers against Philadelphia taxicab owners and drivers.



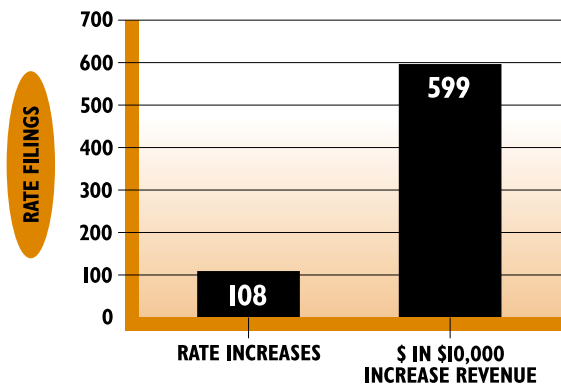
The Compliance Office Technical Unit staff prepares complaints against carriers for violations of safety, rates, routes, service, administrative and authority. The Compliance Office Insurance Unit staff prepares complaints against carriers for violations of insurance.



The Compliance Office processes all motor carrier applications for operating authority, medallion renewals, transfers, amendments, temporary authority, and discontinuance. Certificates are only issued for new authorities.



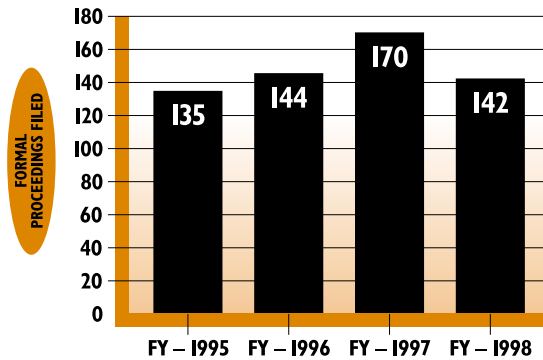
The Compliance Office reviews and approves rate increase filings. This involves reviewing the proposed increases to determine if they will be just and reasonable, based upon established policy.



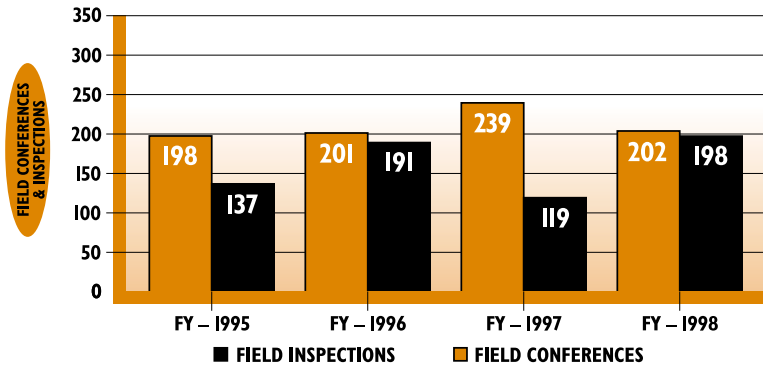
Rail Safety Division

The Rail Safety Division performs two distinct functions. The Division handles proceedings pertaining to the abolition, alteration, construction, relocation and suspension of public highway-railroad crossings in order to prevent accidents and promote public safety. Second, the Division inspects the facilities of the railroad companies for compliance of Commission regulations and Federal Railroad Administration Regulations as it relates to track, equipment and operating practice.

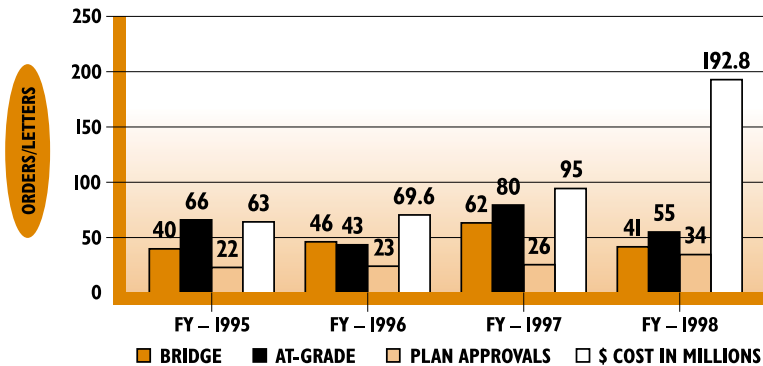
The chart to the right represents the activities of the Rail Safety Division for the 1998–99 fiscal year and the preceding years.



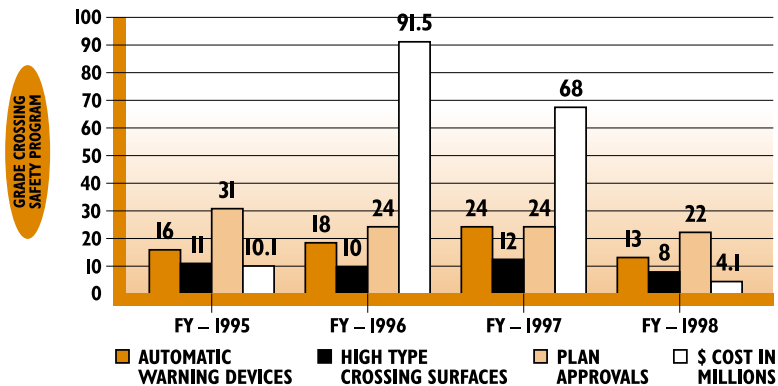
The following chart represents the number of field inspections and field conferences that were held at highway-railroad crossings. Field conferences are meetings that are held with other parties of interest. Field inspections may or may not involve other parties.



The following chart represents the number of Orders/Secretarial Letters that were issued for the construction and alteration of rail highway crossings. These reports were issued in response to applications, complaints and investigations before the Commission.

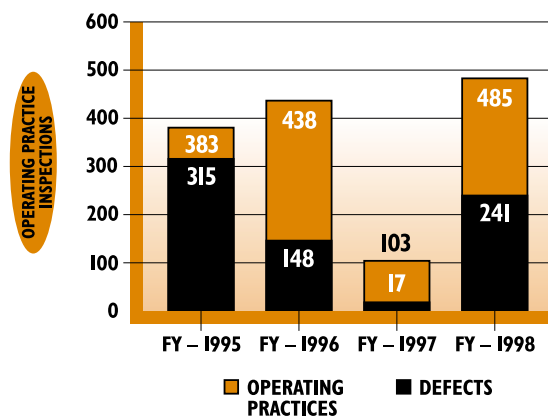
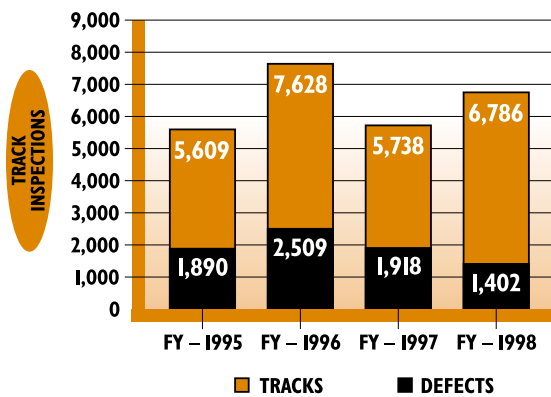
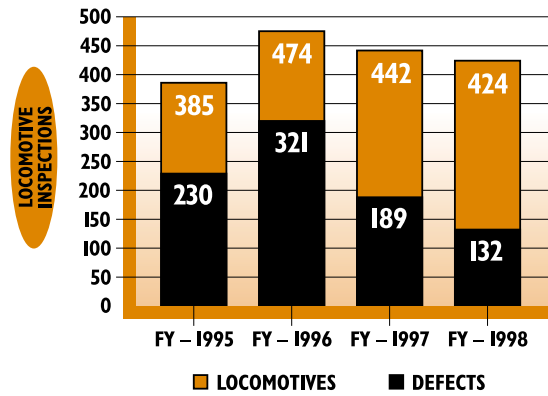
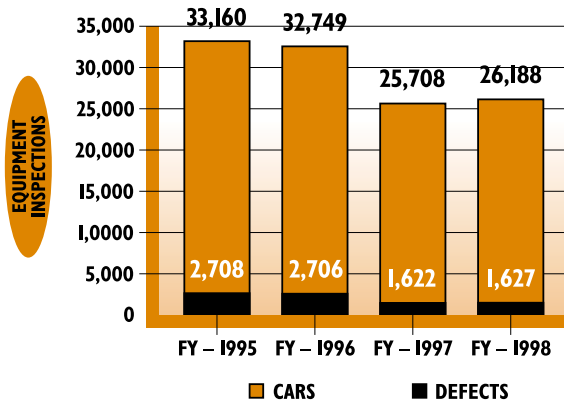


The following chart represents the number of Federal Grade Crossing projects that were approved this year as compared to the previous years. The projects involve the installation of automatic warning devices and the installation of high type crossing surfaces.



BUREAU OF TRANSPORTATION AND SAFETY

The following charts represent the inspection statistics for railroad equipment, track, and operating practices.



Legal Division

The following table represents the activities of the Legal Division for the last several years.

	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99
New Cases	148	501	315	439	437
Closed Cases	128	458	154	181	246
Hearings & Court Appearances	42	126	93	73	77
Agency Pleadings	33	104	96	161	177
Pleadings	8	17	6	0	2
Public Meeting Reports	*	129	39	18	5
Counseling Hours	138.75	630.32	573.91	569.00	910.75
Conferences	*	*	*	1,225	1,012

*Data unavailable

Charles Hoffman Director

The Office of Trial Staff (OTS) represents the Commission on all matters in the public interest except those involving transportation, safety, eminent domain, siting, service issues having no impact on rates, and ability to pay. However, OTS may petition the Commission or be directed by the Commission to intervene to protect the public interest in these excepted proceedings. Consistent with this provision, the Commission has granted the OTS the authority to initiate and prosecute complaints against “slamming” and “cramming” by telecommunications companies.

In rate cases, OTS recommends to the Commission whether it should initiate a hearing to investigate the lawfulness of the requested change. OTS also recommends whether the tariff should be suspended or whether temporary rates should be allowed.

Highlights

During fiscal year 1998–1999, the Office of Trial Staff actively participated, by hearing, review, or report process, in approximately 92 proceedings, of which 57 were closed, while 35 cases in progress were carried forward to FY 1999–2000. The 92 proceedings were comprised of 33 general rate investigations, 38 non-general general tariff or rate investigation, 17 1307(f) Purchased Gas Cost Proceedings, five general investigation, and two excess-earnings investigations. Of the 57 cases closed during the fiscal year, review and hearings were held on three Category I rate investigations, 20 Non-Category I rate investigations (rate requests under one million dollars), nine 1307(f) proceedings; 24 non-general tariff or rate investigations, filings, and one excess earnings. In addition, the Office of Trial Staff reviewed and analyzed approximately 202 tariff revisions and petitions.

The Office of Trial Staff participated in 82 Evidentiary and/or Prehearings; 28 ADR/Arbitrations/Mediation Conferences, and 38 Public Input Hearings. The office also submitted 29 sets of Testimony, filed two Answers, two Comments, and two Miscellaneous responses.

Bell Atlantic/GTE Corporation Merger Application
(A-310200F0002, A-311350F0002, A-310211F0002, A-310291F0003)

On Oct. 2, 1998, Bell Atlantic Corporation and GTE

Corporation filed a Joint Application for Approval of Merger. OTS has opposed the merger unless the applicants agree to: (1) equalize rates; (2) reduce unbundled network element rates; (3) upgrade GTE North’s facilities and services to the level of Bell’s facilities and services; and (4) disallow merged entity access into in-region interLATA long distance market until Bell satisfies the Section 271 checklist.

Petition of the United Telephone Company of Pennsylvania for Approval Under Chapter 30 of the Public Utility Code of an Alternative Regulation and Network Modernization Plan (P-000981410)

On Oct. 6, 1998, the United Telephone Company of Pennsylvania (doing business as Sprint) filed a Petition for Approval of an Alternative Regulation and Network Modernization Plan pursuant to Chapter 30 of the Pennsylvania Public Utility Code. Sprint’s plan included its Network Modernization Plan, Competitive Services Deregulation Plan, Price Stability Plan for Noncompetitive Services, and Additional Company Commitments and Other Terms.

Sprint’s Petition and Plan was assigned to the Office of Administrative Law Judge for the purposes of hearing and a recommended decision. Public input hearings were held Jan. 5 and 7, 1999, in Chambersburg and Butler. Formal evidentiary hearings were also scheduled, but all but one day of the hearings were canceled due to a settlement reached between all parties except AT&T.

OTS actively participated in both the litigation and settlement negotiation phases of the case. The office filed a reply brief in support of the settlement. In the settlement process, OTS and others sought and obtained a higher inflation offset than initially proposed, greater competitive safeguards, additional consumer protection, including a rate ceiling, and additional reporting and regulatory requirements than had been proposed by Sprint.

By a recommended decision issued May 14, 1999, the administrative law judge recommended that the settlement be rejected and that Sprint be directed to file a revised Chapter 30 Plan within six months. OTS and others filed exceptions to the recommended decision. At the public meeting on June 24, 1999, the Commission voted to approve Sprint’s Chapter 30 Plan, as revised in the settlement, with limited modifications.

Petition of ALLTEL, Pennsylvania, Inc. for Approval of an Alternative Form of Regulation and Network Modernization Plan (P-00981423)

On July 31, 1998, ALLTEL Pennsylvania, Inc. filed a petition for approval of an Alternative Form of Regulation and Network Modernization Plan, pursuant to Chapter 30 of the Public Utility Code. The petition requested approval of ALLTEL's alternative regulation plan consisting of four principal components: (1) a Network Modernization Plan; (2) a Competitive Services Plan; (3) a Price Stability Plan for noncompetitive services; and (4) Additional Commitments and Other Terms, including ongoing regulatory and reporting requirements.

ALLTEL'S Petition and Plan was assigned to the Office of Administrative Law Judge for hearings and a recommended decision, if the proceeding was not resolved through mediation. Mediation sessions were held on Oct. 15 and 27, and on Nov. 9, 10, 18, and 19, 1998, but did not result in a settlement. Public input hearings were held in the service territory, and formal evidentiary hearings were held on Feb. 8 through 12, 1999.

OTS actively participated in the mediation and litigation phases of the case. The office advocated for a higher inflation offset, greater competitive protections, enhanced consumer safeguards concerning rate increases, and the retention of certain reporting requirements sought to be abrogated by the company. The parties are now awaiting a recommended decision from the administrative law judge (ALJ).

Petition of Pennsylvania Telephone Association Small Company Group for Approval of an Alternative and Streamlined Form of Regulation and Network Modernization Plans (P-00981425)

On July 31, 1998, the Pennsylvania Telephone Association Small Company Group, representing 19 small rural incumbent local exchange carriers, filed a petition for approval of an Alternative and Streamline Form of Regulation and Network Modernization plan, pursuant to Chapter 30 of the Public Utility Code. The petition requested approval of the group's Alternative and Streamlined Regulation Plan consisting of the following components: (1) Network Modernization Plans; (2) a Competitive Services Deregulation Plan; (3) a Price Stability Plan for noncompetitive services; (4) Additional Commitments and Other Terms, including ongoing regulatory and reporting requirements; and (5) a Glossary of Terms.

The Petition and Plan was assigned to the Office of Administrative Law Judge for hearings and a recommended decision, if the proceeding was not resolved through mediation. Mediation sessions were held on Oct. 15 and 27, and on Nov. 9, 10, 18 and 19, 1998, but did not result in a settlement. Public input hearings were held in the service territory, and formal evidentiary hearings were then held on Feb. 8 through 12, 1999.

OTS actively participated in the mediation and litigation phases of the case. The office advocated for an alternative form of regulation for all of the companies, a higher inflation offset, greater competitive protections, enhanced consumer safeguards concerning rate increases, and the retention of certain reporting requirements sought to be abrogated by the companies. The parties are awaiting a recommended decision from the administrative law judge.

Petition of GTE North Incorporated (Chapter 30 Filing) (P-00981449)

On Dec. 15, 1998, GTE North filed a petition for approval of an Alternative Form of Regulation and Plan for Network Modernization. OTS filed testimony arguing that the plan should be rejected because it attempted to maintain rate base/rate of return regulation in violation of Chapter 30. OTS also argued that if the plan was not rejected, certain sections of it needed amended. Those sections include definitions of Categories 1-3, filing due dates, pricing of Category 2 services, appropriateness of Network Modernization Plan, and the need to file certain financial data. The ALJ issued its decision on June 30, 1999. The ALJ adopted the OTS recommendation and rejected the company's plan on the basis that it proposed a continuation of rate base/rate of return regulation. The ALJ also adopted many of OTS's other recommendations, including rejection of the company's attempt to condition progress of the broadband network upon customer acceptance of new broadband services. Exceptions were due July 15, 1999, and Reply Exceptions due July 27, 1999.

Joint Petition of NEXTLINK Pennsylvania, Inc.; Senator Vincent J. Fumo; Senator Roger Madigan; Senator Mary Jo White; The Pennsylvania Cable and Telecommunications Association; RCN Telecommunications Services of Pennsylvania, Inc.; Hyperion Telecommunications, Inc.; ATX Telecommunications Services, LTD.; CTSI, Inc.; MCI

WORLDCOM, Inc.; and AT&T Communications of Pennsylvania, Inc. (P-00981449)

Joint Petition of Bell Atlantic-Pennsylvania, Inc.; Conectiv Communications, Inc.; Network Access Solutions, Inc.; and the Rural Telephone Company Coalition (P-00991649)

This consolidated petition proceeding was a result of the Global Telecommunications Settlement Conference at Docket No. M-00981185, which had been convened by the Commission in an effort to resolve several related and complicated telecommunications proceedings pending in various dockets. At the conclusion of the Global Conference on March 18, 1999, NEXTLINK Pennsylvania, Inc., the Pa. Cable and Telecommunications Association and six other competitive local exchange carriers filed the above-captioned joint petition. Also on March 18, 1999, Bell Atlantic-Pa., Inc.; Conectiv Communications, Inc.; Network Access Solutions; and 32 smaller, largely rural incumbent local exchange carriers filed the above-captioned joint petition. Each of the petitions presented separate, distinct proposals for resolving/addressing the various dockets underlying the Global Conference proceeding.

A sample of the proceedings resolved/addressed in the two petitions are the Commission's Universal Service Investigation, Docket No. I-00940035; the Generic Access Charge Investigation, Docket No. I-00960066; the BA-PA petitions seeking a competitive declaration for intraLATA toll and business services, Docket Nos. P-00971293 and P-00971307; and the Application of MFS Intelenet of Pa., Inc. (MFS IV).

OTS fully participated in these proceeding, responded to motions, attended hearings on June 22–25, July 1, 2, and 6, 1999, and joined with six other consumer parties in presenting a comprehensive Consumer Party Statement of Position. Main and reply briefs were due to be filed in July and August 1999, respectively. A final Commission decision is expected in the fall of 1999.

Manufacturers Water Company (R-00984275)

Manufacturers Water filed a request for an increase of \$999,456 in additional annual revenues on Feb. 11, 1998. The company has 14 bulk water customers, none of whom are residential customers. All issues other than rate design were settled. The company litigated the rate design with the Manufacturers Water Industrial Users. The settlement provided for an increase of \$620,750.

The settlement also established a single source rate for co-generation customers who could only obtain water from one company source. The Commission approved the settlement and the settlement proposed rate design by order entered Feb. 12, 1999.

PG Energy (R-00984280)

On March 16, 1998, PG Energy, Inc. filed its Supplement Numbers 156, 133 and 131 to Tariff Pa. PUC Numbers 7, 5 and 4, to become effective on May 15, 1998. The filing contained changes in rates, rate design, rules and regulations calculated to produce \$15,000,615 in additional annual revenues, based upon the level of operations calculated and estimated for the 12-month period ending Dec. 31, 1998. By its Opinion and Order entered April 23, 1998, the Commission suspended the tariff by operation of law until Dec. 15, 1998.

The PUC held five public input hearings in Scranton and Williamsport on June 29-30, 1998, and in the Township of Kingston on July 2, 1998. Evidentiary hearings were held on July 29–30, 1998, in Scranton and in Harrisburg on Aug. 3, 4, 5 and 12, 1998. The evidentiary hearings concluded on Aug. 12, 1998.

Prior to the filing of main briefs, the parties resolved all of the issues surrounding the proceeding. The parties agreed that PG Energy would be allowed to file tariff supplements to produce approximately \$7,402,340 in additional annual revenues. The figure represented an approximate decrease of 50 percent from the \$15,000,615 originally requested by PG Energy.

The rate increase will be paid by the various classes of customers as follows: residential customers will pay an additional \$6,401,659; general services customers will pay an additional \$1,224,733; industrial and transportation customers will pay \$263,078 less than previously paid and the company with other miscellaneous revenues of approximately \$39,026. The new rates resulted in a monthly increase to the average residential customer of \$4.08, as opposed to PG Energy's original proposed increase of \$8.84. Moreover, in the agreement, PG Energy agreed to a stay-out until after Feb. 29, 2000.

National Utilities, Inc. (R-00984334, et al)

On Oct. 30, 1998, National Utilities, Inc. filed Supplement No. 7 to Tariff Water – Pa. PUC No. 24 to become effective Jan. 3, 1999, containing proposed rates calculated to produce \$477,026 (57.4 percent) in additional annual revenues. The Commission, by order

OFFICE OF TRIAL STAFF

entered Dec. 17, 1998, suspended the company's tariff supplement until Aug. 3, 1999, and instituted an investigation. National Utilities' proposed rate increase was designed to affect all of its 18 water systems. Its previous base rate filing in 1995, at Docket No. R-00953416, resulted in the Commission's acceptance of the Office of Trial Staff's position that no rate increase was appropriate due to the then extensive quality of service deficiencies.

National Utilities, OTS and the other active parties participated in the Commission's mediation process and the company agreed to suspend the effective date of the tariff supplement an additional 90 days to accommodate those efforts. The PUC held eight public input sessions over four days in Saylorsburg, New Tripoli, Scranton, and Dallas, Pa. During the course of the proceeding, OTS inspected each of the 18 water systems, participated in the several formal mediation sessions, and conducted extensive discovery and investigation of all aspects of the company's claimed system improvements, financial operations, management practices and quality of service.

On May 14, 1999, the active parties submitted a Joint Petition for Settlement designed to produce an increase in annual base operating revenues of \$230,000 (27.7 percent), in lieu of the \$477,026 (57.4 percent) increase originally requested by the company. The settlement petition contained numerous verifiable requirements regarding further system improvements, the repayment of certain arrearages, and the proviso that the company not file for another general base rate increase either until one year from the entry date of any Commission Order approving the settlement, or June 30, 2000.

City of Bethlehem — Bureau of Water (R00984375)

On June 29, 1998, the City of Bethlehem filed Supplement No. 19 to Tariff Water — Pa. P.U.C. No. 4, proposing to increase annual operating revenues for customers located outside of the city limits by an additional \$1,716,150. The proposed rates would represent an approximate 39.3 percent increase in the city's annual revenues for customers who resided outside of the city boundaries.

The city supplies water service directly to 11,691 customers outside of the city boundaries and to 22,785 customers inside the city limits. The city also supplies water for resale to the authorities of Lower Nazareth, East Allen, Lower Saucon and Upper Saucon in Lehigh and Northampton counties.

The Commission instituted a formal investigation on July 24, 1998. OTS filed extensive discovery, including interrogatories, conducted one on-site visit to the city's facilities and participated in a public input hearing held in the city's service territory.

OTS also participated in numerous settlement discussions with the active parties. On Sept. 25, 1998, a Joint Petition for Settlement of the Rate Investigation was submitted to the Office of Administrative Law Judge and filed with the Commission. The Joint Petition was entered into on behalf of the city, OTS, the Office of Consumer Advocate and the Office of Small Business Advocate. Upper Saucon Township withdrew its formal complaint and no comments were received from the remaining customer complainants.

The Joint Petition permitted the city to establish rates for outside customers which would produce an overall increase in annual operating revenues of \$1,400,259, representing a 32 percent increase in revenues from present levels, to a total revenue level of \$5,769,697. The city agreed to a 12-month stay-out provision following the effective date of rates and the parties agreed that the rate increase would exclude consideration of costs associated with the city's Beltzville Emergency Interconnection Project. The city also agreed to undertake a five-point plan in order to address the high levels of unaccounted-for water in its service territories.

The Petition for Settlement included a single block rate structure, rather than the city's existing two block structure. The parties agreed that the implementation of a single rate block structure at that time promoted water conservation, complied with the Delaware River Basin Commission's resolution regarding the same, and was otherwise in the public interest. Under the settlement, the quarterly bill of a typical 5/8" metered residential customer residing outside of the city, who used 17,000 gallons of water per quarter, would increase from \$52.04 to \$71.52, or by approximately 37.4 percent.

Frontier Communications of Pennsylvania
(R-00984411)

Frontier Communications of Lakewood, Inc.
(R-00984412)

Frontier Communications of Oswayo River, Inc.
(R-00984413)

Frontier Communications of Breezewood, Inc.
(R-00984414)

Frontier Communications of Canton, Inc.
(R-00984415)

On July 13, 1998, the Frontier Companies filed five cases to rebalance and restructure rates in response to a prior settlement agreement with AT&T Communications Company of Pennsylvania to lower access charges. The Frontier Companies and AT&T settlement required the Frontier Companies to reduce their intrastate access charges from a combined average rate per access minute of use (ARAMOU) of 6.52 cents to target ARAMOU of 3.4 cents in four annual approximately equal increments. The Frontier Companies and AT&T settlement was never presented or formally approved by the Commission.

On Oct. 30, 1998, the Commission issued an Order rejecting Frontier's rate rebalancing filing as it related to Frontier Communications of Pennsylvania, Inc. The

Commission requested that the parties address several issues, including: the need for a cost study; revenue neutrality; the size of the proposed rate; and appropriate intrastate access charge reductions. The parties were involved in mediation sessions that were held on Nov. 12, 1998, Dec. 2 and 9, 1998, Jan. 15, 1999, and Feb. 3 and 17, 1999. The parties reached a settlement which resolved the issues as follows: (1) The Frontier Companies shall not be required to file local service cost studies for the purpose of the 1999 rebalancing filing; (2) The Frontier Companies shall redesign the Frontier Pennsylvania filing so as to comply with the Commission's Order to reduce proposed revenues by \$44,165 to ensure revenue neutrality; and (3) The Frontier Companies shall file revenue neutral tariff supplements to become effective on or before May 23, 1999, which accomplished a reduction in the composite intrastate ARAMOU to approximately 4.69 cents.

**1307(f) Purchased Gas Cost Performance Data
1998–1999**

UTILITY	AMOUNT REQUESTED	AMOUNT ALLOWED	RATEPAYER SAVINGS
Columbia Gas	\$(17,627,971)	\$(20,350,944)	\$2,722,973
Equitable Gas	(6,427,925)	(7,613,281)	1,185,356
National Fuel Gas	15,902,494	(4,260,373)	20,162,867
PECO	196,079	404,042	(207,963)
Peoples Natural Gas	(4,376,847)	(10,621,627)	6,244,780
PFG/North Penn	3,374,365	1,053,718	2,320,647
PG Energy	8,322,692	7,383,694	938,998
T.W. Phillips	2,861,015	(2,218,838)	5,079,853
UGI Utilities Inc	5,476,828	3,848,006	1,628,822
Total	\$7,700,730	\$(32,375,603)	\$40,076,333

Note: This information supplements other case performance data presented by the Office of Administrative Law Judge which also applies to the Office of Trial Staff.



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